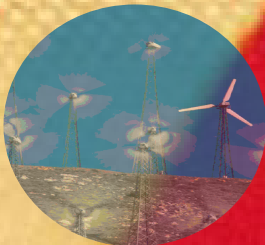
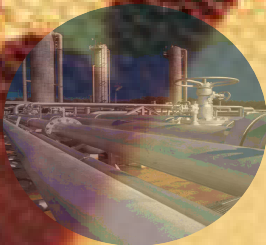


Defense Energy Support Center

Comprehensive Energy in the World Market... Making an Impact 24 Hours a Day, 365 Days a Year

Fact Book

FY 2007



Thirtieth Edition

Report Documentation Page			Form Approved OMB No. 0704-0188		
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 21 MAR 2008		2. REPORT TYPE		3. DATES COVERED 00-00-2008 to 00-00-2008	
4. TITLE AND SUBTITLE Defense Energy Support Center Fact Book FY 2007			5a. CONTRACT NUMBER		
			5b. GRANT NUMBER		
			5c. PROGRAM ELEMENT NUMBER		
6. AUTHOR(S)			5d. PROJECT NUMBER		
			5e. TASK NUMBER		
			5f. WORK UNIT NUMBER		
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Energy Support Center, Fort Belvoir, VA			8. PERFORMING ORGANIZATION REPORT NUMBER		
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)		
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)		
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 94	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

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Foreword



The Defense Energy Support Center Fact Book contains statistical information regarding the Center's business operations. The Fact Book reflects the Center's operational status at the end of fiscal year 2007 unless otherwise indicated. The intent is for the use of this publication as a source for general information purposes only. The Fact Book is not to be considered a source for official communications. We hope you will find it useful. The Fact Book can also be found on-line at www.desc.dla.mil in the Publications sections of the web page.

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Defense Energy Support Center History

The origin of the Defense Energy Support Center dates back to World War II. Originally, it was an entity of the Department of Interior as the Army-Navy Petroleum Board. Its mission was to administer the critical petroleum requirements during World War II. In 1945, it was transferred to the War Department and became the Joint Army-Navy Purchasing Agency.

The Agency underwent several name changes, but its mission remained essentially the same until 1962. At that time, it became a part of the consolidated military supply organization, the Defense Supply Agency, now known as the Defense Logistics Agency (DLA). The Center was designated the Defense Fuel Supply Center (DFSC) in 1964 as a single entity to purchase and manage the Department of Defense's petroleum products and coal.

In 1973, DFSC progressed from a wholesale fuel central procurement activity to a more comprehensive logistics mission as the Integrated Materiel Manager (IMM) for the Department of Defense petroleum requirements. Under Phase I, DFSC added management of the acquisition, storage, distribution and sale of fuel with responsibility ending at the Service installation boundary. In 1991 Phase II began, which expanded DLA's ownership of bulk petroleum products to include most bulk storage installations. This effort was divided into two parts, Phase IIA, which capitalized aviation fuel, and Phase IIB, which capitalized ground fuels. As a result of Phase II Capitalization, DLA owns all bulk petroleum products from the point of purchase until its final point of issue to aircraft, ships, and ground equipment. In 1990, the DFSC mission was expanded to include the supply and management of natural gas, as well as the basic petroleum and coal products. Under this program, natural gas requirements were consolidated and centrally procured with a mission to provide direct supply natural gas to customers when determined more economical than using gas from a local distribution company.

February 11, 1998 marked the beginning of a new chapter in the Center's history with a name change to Defense Energy Support Center. With it came a new mission to build an energy program aimed at moving the Department of Defense

out of the management of energy infrastructure and into the management of energy products. The energy enterprise mission was added to assist the Military Services with the privatization of utility related infrastructure and energy savings performance contracts to decrease energy usage and energy demand.

The initiative to deregulate electricity in CONUS added still another mission to DESC. As states deregulate, DESC pursues and awards contracts for electricity services to CONUS DOD and Federal Civilian Agency installations in the same manner as procurements for natural gas.

On October 1, 2001, DESC assumed a new mission from the US Air Force and now serves as the DOD's Integrated Material Manager for space and space related products and services and provides world-class support and business solutions to not only DOD, but other Federal Agencies, Government contractors, and academia. The new mission encompasses 92 national stock numbers with each product supporting at least one DOD Major Weapon System. The addition of this mission makes DESC a full service provider of all energy and energy-related products.

On August 11, 2004, the Secretary of Defense designated DLA as the Executive Agent for Bulk Petroleum. This authority was delegated to DESC on November 1, 2004 with the responsibility to execute Supply Chain Management for all DOD Bulk Petroleum, with an emphasis on improving efficiency and minimizing duplication or redundancy within the supply chain.

On October 1, 2006, DESC became the DOD Integrated Material Manager (IMM) for both bulk Aviator's Breathing Oxygen (specification MIL-PRF-27210) and Liquid Nitrogen (specification A-A-59503). Both were previously managed by Defense Supply Center Richmond (DSCR).

DESC, despite changes in organization structure and expanded mission, continues its basic mission to support the warfighter and manage the energy sources of the future.

*Defense Energy Support Center*_____



MISSION



To Provide the Department Of Defense,
And Other Government Agencies,
With Comprehensive Energy Solutions
In The Most Effective And Efficient
Manner Possible.

Defense Energy Support Center _____



VISION



Our Customer's First Choice
For
Energy Solutions

The Defense Energy Support Center's Director's Update for Fiscal Year 2007

In Fiscal Year (FY) 2007, the Defense Energy Support Center (DESC) continued its efforts on supporting the warfighter as the Department of Defense tackled the Global War on Terrorism in Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq, as well as other contingency operations around the world. DESC also provided continual service to the Department of Defense, and other customers with comprehensive energy solutions, in the most effective and economic manner possible. These solutions include contracting support and management of all petroleum-based fuels, additives and other energy products and services including jet fuels, distillates, missile fuels, chemicals, gases, gasoline, diesel fuels, heating fuels, natural gas, coal, and electricity. DESC also continues to manage utilities privatization and other installation energy conservation efforts. DESC prides itself in continuing partnerships with its customers and the energy industry by fostering and maintaining business alliances around the world.

The DOD Ships Bunker Easy Acquisition (SEA) Card Order Management System (DOD-SCOMSSM) continued its successful expansion in revolutionizing the ships' bunkers fuel ordering process. In FY07, 914 orders were successfully processed, with fuel purchases of \$162M fulfilled. Warfighter feedback has been extremely favorable. Over 320 vessels are now enrolled in DOD-SCOMSSM, and since its pilot program commencement, over 1200 orders valued at \$302M have seamlessly and successfully been processed by warfighter ordering officers.

In support of Defense Logistics Agency (DLA) goals and objectives, DESC continued to initiate and develop new programs and business practices designed to meet the ever-changing challenges ahead, including Business Systems Modernization-Energy

(BSM-E), the Balanced Scorecard (BSC), information technology and transformation issues. DESC has embarked upon a major program to converge with the DLA Enterprise Resource Planning application – Enterprise Business Systems (EBS). This Energy Convergence Program will reach full operational capability in FY12 and result in the termination of BSM-E.

DESC is working with DLA to integrate more of DESC's customer service function into the DLA Enterprise SAP Customer Relationship Management Application. This is an on-going effort and supports inclusion of DLA business processes in the Enterprise Business System.

DESC conducted numerous successful Lean Six Sigma Initiatives which further enhanced the efficiency and effectiveness of DESC business processes. DESC realized a substantial return on its investment in time and money for facilitation support.

DESC supported fifteen (15) major DOD, NASA and U.S. commercial enterprise launches with a total of eight (8) products: hydrazine, dinitrogen tetroxide, RP-1/RP-2, liquid oxygen, liquid nitrogen, gaseous nitrogen, liquid helium, and gaseous helium. DESC also provided bulk helium to the warfighter in Iraq and Afghanistan for aerostats (tethered balloons) used in ground surveillance.

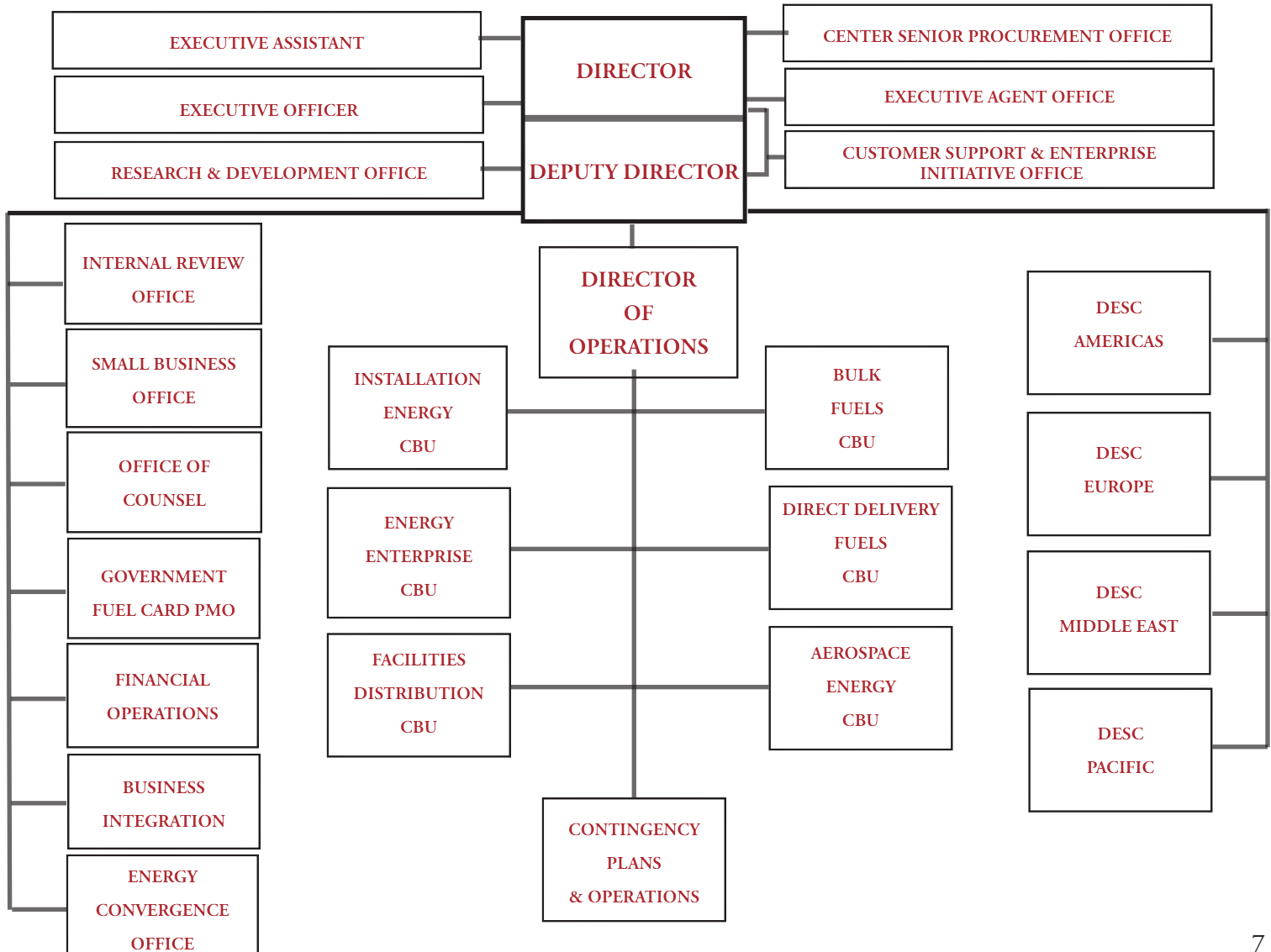
DESC's continued success with meeting these fast-paced challenges is due to the cooperation, dedication and commitment of over 800 military and civilian DESC employees whose goals include exceeding expectations and meeting mission needs – wherever and whenever they occur.

The Defense Energy Support Center's Director's Plan for Fiscal Year 2008

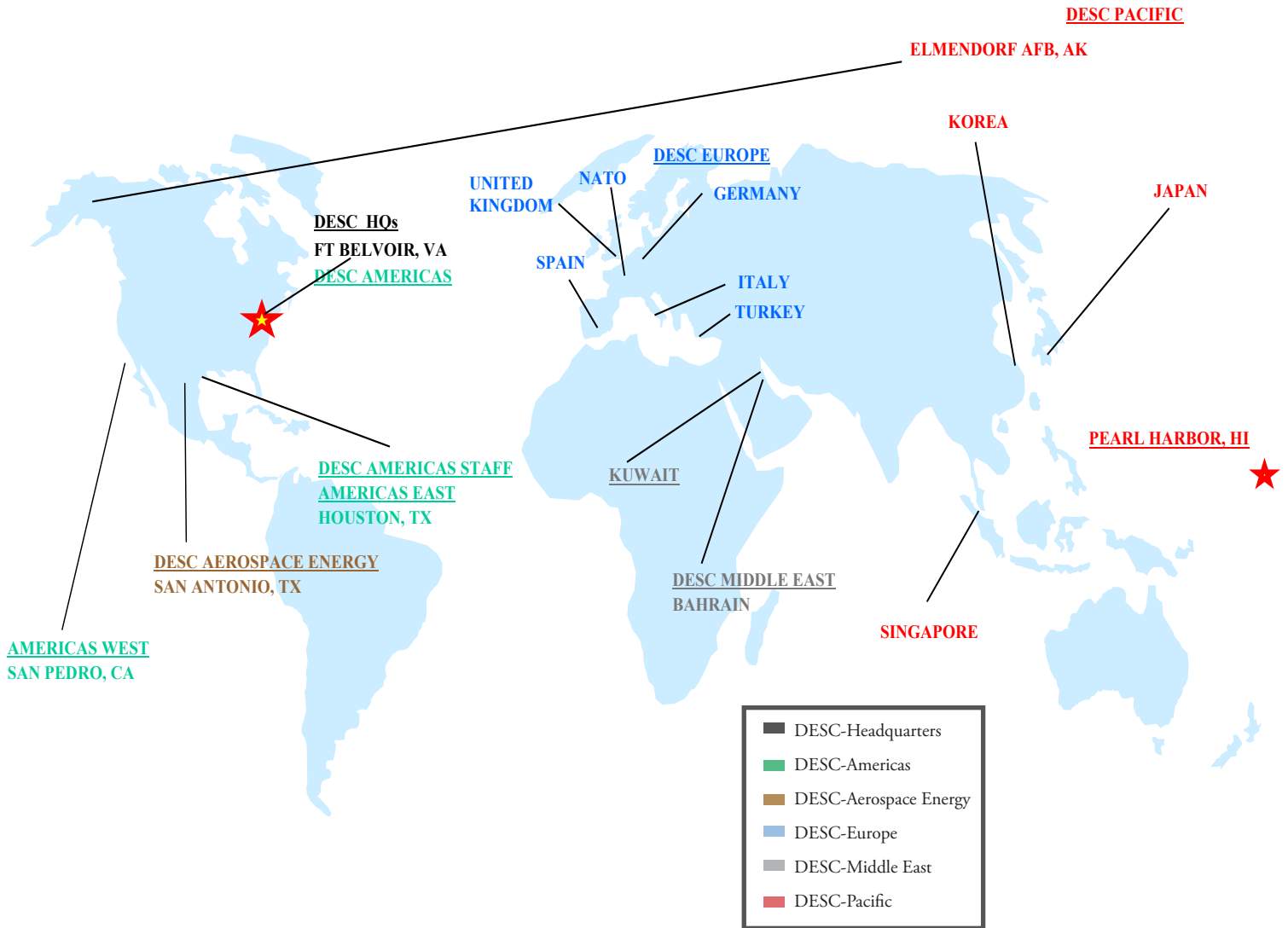
DESC is dedicated to providing continuous energy support to the warfighter and will strive to fulfill its mission in every way possible. Along with current CBU's mission requirements, DESC will support and play an integral part in DLA strategies and initiatives. DESC's continued support consists of the following:

- Partnering with the Federal Emergency Management Agency (FEMA) to provide emergency supplies of gasoline and diesel to predetermined locations in the event of natural disaster.
- Aggressively supporting the Energy Security Integrated Product Team and DOD's basic goal to find ways to achieve energy security through assured energy supply and efficiency.
- Partnering with the services to explore the viability or advantages of using synthetic fuel in weapons platforms.
- Maintaining on-going efforts supported by research and development funding to include: study of hydrogen as a defense fuel; development of a Class III Bulk Automatic Identification Technology (AIT) system to support a logistics common operating picture; modernizing the petroleum secondary sales process; and study of JP-8 +100 additive.
- Maintaining the DESC's Balanced Scorecard to ensure DESC is making appropriate progress on strategies and initiatives identified in the DLA Strategic Plan for Fiscal Year (FY) 07-Fiscal Year (FY) 13.
- Ensuring DESC's financial statements are measured internally to commercial audit standards and procedures and reflect a true picture of DESC's financial operations.
- Seeking out and continuing to implement strategic supplier/vendor alliances whenever possible.
- Supporting the Office of the Secretary of Defense (OSD) to achieve its goal of privatizing on-base utility infrastructure and continue to support, through the use of energy savings performance contracts, the efforts of the Military to meet mandated energy reduction and renewable energy usage goals.

DESC ORGANIZATION



DESC WORLDWIDE LOCATIONS



Biography

Maynard J. Sanders

Director, Defense Energy Support Center



Mr. Maynard J. Sanders was born February 1, 1955, in Mobile, Alabama. He was inducted into the Senior Executive Service April 6, 2007. Mr. Sanders comes to Defense Energy Support Center from the Surface Deployment and Distribution Command (SDDC) where he served as the Deputy Commander for Mobilization. He

received his commission as a second lieutenant in the United States Army from the U.S. Military Academy at West Point, New York, on June 2, 1978, and served his initial five years of commissioned service on active duty.

Mr. Sanders was recalled to Active Duty in January 2003 in support of the Global War on Terrorism and remained until this year. While at SDDC, he served in numerous positions, to include Deputy Commander for Mobilization, Deputy Commanding General for Operations, and the Director of the CENTCOM Deployment Distribution Operations Center in Kuwait. He has been selected for promotion to Major General and will serve as the Deputy Chief of Staff Army G4 for Training and Mobilization.

Prior to his recall, Mr. Sanders served as the President and owner

of All Plans Financial Group, Inc. in Mobile, Alabama from 1983 until his activation. This financial services company designed, implemented and administered employer benefit and retirement plans.

Mr. Sanders is a graduate of the U.S. Military Academy, Basic Airborne Infantry School, Field Artillery Officer Basic Course, Ranger Infantry Course, Commanders Course, Ordnance Officer Advance Course, Tank/Automotive Material Management Course, Command and General Staff College, Senior Transportation Officer Qualification Course (Motor/Rail Track), and the U.S. Army War College.

His military decorations include the Defense Superior Service Medal, Legion of Merit, Meritorious Service Medal with two Oak Leaf Clusters, Army Commendation Medal with two Oak Leaf Clusters, Army Reserve Component Achievement Medal with four Oak Leaf Clusters, National Defense Service Medal with Bronze Star, Global War on Terrorism, Service and Expeditionary Medals, Armed Forces Reserve Medal, Overseas Service Ribbon, Ranger Tab and the Parachutist Badge.

Biography

Captain Dianne A. Archer

Deputy Director, Defense Energy Support Center



Captain Dianne A. Archer, a native of Evansville, Indiana, became Deputy Director, Defense Energy Support Center in April 2007.

Captain Archer graduated from the United States Naval Academy at Annapolis, Maryland and was commissioned in 1984. She

earned a Masters of Business Administration degree from the Ohio State University at Columbus, Ohio in 1996.

Captain Archer's sea duty tours include Food Service, Sales, and Disbursing Officer onboard USS CAPE COD (AD 43), making two deployments. She was Principal Assistant for Services, Logistics, and Assistant Supply Officer of USS KITTY HAWK (CV 63), where she deployed to the Arabian Gulf and was forward deployed to Yokosuka, Japan. She was later the Officer in Charge, Military Department, USNS NIAGARA FALLS (T-AFS 3), forward deployed to the Western Pacific. Captain Archer is a qualified Surface Warfare Supply Corps Officer and Naval Aviation Supply Officer. Shore duty tours include her most recent assignment as Commander, Defense Energy Support Center-Pacific. Other assignments include

Fuel Officer, Navy Support Facility Diego Garcia; Midshipmen Disbursing Officer, United States Naval Academy; Joint Petroleum Plans Officer and Executive Assistant to the Director of Logistics and Security Assistance, United States Pacific Command; Director, Customer Operations Department and Industrial Support Division, Naval Inventory Control Point, Philadelphia; and Executive Officer, Fleet and Industrial Supply Center Pearl Harbor.

Her awards include the Defense Meritorious Service Medal, Navy Meritorious Service Medal, Navy Commendation Medal, Joint Service Achievement Medal, Navy Achievement Medal, and other command awards.

Biography

Colonel Jay Meyer

Director of Operations, Defense Energy Support Center



Colonel Jay Meyer, a native of Louisville, Kentucky, is the Director of Operations, Defense Energy Support Center, Defense Logistics Agency. Colonel Meyer graduated in 1982 from the United States Military Academy at West Point, New York. He holds a Regular Army commission in the Quartermaster Corps, a Master of Science degree in Community Services from Michigan State University and a Masters of Science degree in Strategic Studies from the US Army War College. His military education includes the Quartermaster Officer Basic and Advanced Courses, the US Army Command and General Staff College, the Armed Forces Staff College, and the US Army War College.

He was assigned in 1983 to the 249th Repair Parts Company, 530th Supply and Service Battalion at Fort Bragg, NC, where he served as a Platoon Leader. In 1984, he served as a Platoon Leader with the Multinational Force and Observers, Sinai, Egypt. He returned to Fort Bragg as the Assistant Operations Officer, 46th Support Group, 1st Corps Support Command. He was then posted to Fort Ord, CA in 1986 where he commanded the 590th Supply and Service Company and served as the Operations Officer for the 7th Supply and Transport Battalion, 7th Infantry Division (Light). Upon return from Operation JUST CAUSE in 1990, he was assigned to the US Army Quartermaster Center and School, where he served as a Small

Group Leader for the Quartermaster Officer Advanced Course and Project Officer in the Department of Combat Developments. In 1993 he was posted to Okinawa, Japan, serving as the Executive Officer for the 505th Quartermaster Battalion (Petroleum Pipeline Terminal Operating) and the Operations Officer, 10th Area Support Group. Upon graduation from the US Army Command and General Staff College in 1997, he reported to Special Operations Command, Pacific, Camp H. M. Smith, HI, where he served as a Logistics Plans Officer; the Chief of the Logistics Plans Division; and the Deputy Director for Logistics. He commanded the Defense Energy Support Center, Korea, located in Daegu, Republic of Korea from June 2000 to June 2002. Colonel Meyer assumed duty as Deputy Commander, 49th Quartermaster Group (Petroleum & Water), Fort Lee, VA in June 2002. He deployed with the 49th QM Group to Kuwait in October 2002 in support of Operations ENDURING FREEDOM and IRAQI FREEDOM. Upon graduation from the US Army War College in 2004, he returned to Fort Lee, VA where he served as the Commander, Operations Group Logistics, Battle Command Training Program. In October 2005, he assumed command of the 49th QM Group, commanding until July 2007. He is currently serving as the Director of Operations, Defense Energy Support Center, Defense Logistics Agency. His awards and decorations include the Legion of Merit, the Bronze Star Medal, the Defense Meritorious Service Medal with Oak Leaf Cluster, the Army Meritorious Service Medal with two Oak Leaf Clusters, the Army Commendation Medal with four Oak Leaf Clusters, the Army Achievement Medal with two Oak Leaf Clusters, as well as other service ribbons and the Parachutist Badge.

Defense Energy Support Center



Director	(703) 767-9706
Deputy Director	(703) 767-9700
Executive Officer	(703) 767-9721
Director, Operations	(703) 767-9031
Director, Contingency Plans & Operations	(703) 767-8370
Operations Center	(703) 767-8420
Director, Energy Enterprise	(703) 767-5168
Director, Fuel Card Program Management Office	(703) 767-8606
Director, Installation Energy	(703) 767-8572
Director, Bulk Fuels	(703) 767-9306
Director, Facilities Distribution Management	(703) 767-9360
Director, Direct Delivery Fuels	(703) 767-8504
Director, Aerospace Energy	(210) 925-4455
Customer Support & Enterprise Initiatives Office	(703) 767-9401
Business Integration Office	(703) 767-9675
Executive Agent Office	(703) 767-8662
Internal Review Office	(703) 767-9671
Small Business Office	(703) 767-9465
Office of Counsel	(703) 767-5011
Center Senior Procurement Official	(703) 767-8505
Director, Financial Operations	(703) 767-9484
Research & Development Office	(703) 767-4962
Market Research	(703) 767-8376
Director, Energy Convergence Office	(703) 767-2946

Defense Energy Support Center Regional Offices

DESC AMERICAS

DESC Americas
DESC Americas East
DESC Americas West

(703) 767-9306
(713) 718-3883 ext.102
(310) 241-2801

DESC PACIFIC

DESC Pacific
DESC Middle Pacific
DESC Korea
DESC Japan
DESC Alaska

(808) 473-4312/4292
(808) 473-4291/4311
011-82-505-764-5147
011-81-311-755-2671
(907) 552-3949/5777

DESC EUROPE

DESC Europe
DESC United Kingdom
DESC Mediterranean
DESC NATO
DESC EUCOM
DESC Spain
DESC Turkey
DESC Incirlik

011-49-611-380-7710
011-44-1895-61-6346
011-39-050-54-7085
011-32-2724-3118
011-49-711-680-8263
011-34-91-544-7998
011-90-312-417-4174
011-90-322-316-1197

DESC MIDDLE EAST

DESC Bahrain
DESC Germany
DESC Kuwait
DESC Pakistan
DESC Afghanistan

011-973-1785-4650
011-49-631-3406-4280
011-965-389-5648
011-92-345-851-8022
011-93-799-021990



Energy Summary

FY2007

(In Millions of Dollars)

Energy Expenses

\$12,891.4 (1)

Net Sales

\$12,611.2 (2)

Ending Inventory

\$5,179.6 (3)



(1) Includes Expenses for Petroleum, Natural Gas, Aerospace Energy, Federal Excise Tax, Transportation, Facilities, DESC Operations, Headquarters.

(2) Includes Net Sales for Petroleum, Natural Gas, and Aerospace Energy.

(3) Includes Petroleum and Aerospace Energy Inventory.

Civilian & Military End Strengths

	CIVILIAN	MILITARY
	ONBOARD	ONBOARD
FY07	880	60
FY06	760	69
FY05	722	62
FY04	743	61
FY03	731	67
FY02	689	68
FY01	599	61
FY00	599	64

Source: Financial Operations

PETROLEUM, NATURAL GAS & AEROSPACE ENERGY

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Statement of Financial Conditions

Petroleum, Natural Gas & Aerospace Energy

(U.S. Dollars in Millions)

ASSETS:

Accounts Receivable	<u>FY2007</u> \$549.6
Inventory	\$5,179.6
Fund Balance with Treasury	\$1,115.6
Other Assets	<u>\$122.6</u>
TOTAL ASSETS	\$6,967.3

LIABILITIES:

Accounts Payable	\$1,738.6
Advances from Others	\$15.6
Other Liabilities	\$0.1
Estimated Cleanup Co	<u>\$72.6</u>
TOTAL LIABILITIES	\$1,826.9

NET POSITION

Accumulated Operating Results	<u>\$5,140.4</u>
TOTAL CAPITAL	\$5,140.4
TOTAL LIABILITIES & CAPITAL	\$6,967.3

Source: Financial Operations

Statement of Sales

Petroleum, Natural Gas & Aerospace Energy

(U.S. Dollars in Millions)

<u>CUSTOMER</u>	<u>FY07</u>
U.S. Army	\$2,017.8
U.S. Navy	\$3,508.5
U.S. Air Force	\$6,206.7
U.S. Marine Corps	\$184.0
Other DOD	<u>\$81.7</u>
Total DOD	\$11,998.7
Other Government Agencies	<u>\$320.4</u>
Subtotal	\$12,319.1
Foreign Government	\$456.8
State Government	\$1.5
Local Government	\$3.7
Commercial	\$551.4
MWR Activity	\$10.4
Other	<u>(\$1.5)</u>
Total Gross Sales	\$13,341.5
Less:	
Material Returns Credits Applied	\$730.3
Total Net Sales	\$12,611.2

Source: Financial Operations

Net Sales by Category

Petroleum & Natural Gas

(Quantity)

	FY2005	FY2006	FY2007
Petroleum (Thousands of Barrels)			
Bulk and PC&S:			
AVGAS	8	17	24
Distillates & Diesel	22,569	22,195	23,226
Gasohol	23	44	51
JP-4, JAB, JAA, & JA1	2,199	2,270	3,557
JP-5	13,246	12,603	11,469
JP-8, JPTS	78,290	81,016	82,055
Lube Oils	28	26	25
MOGAS (Leaded & Unleaded)	2,252	2,017	1,863
Residuals	<u>1,151</u>	<u>785</u>	<u>592</u>
Subtotal	119,766	120,973	122,862
Intoplane	4,324	3,818	4,296
Bunkers	6,683	4,149	3,783
Local Purchase	<u>2,015</u>	<u>1,715</u>	<u>1,543</u>
Total Petroleum	132,788	130,655	132,484
Natural Gas (Millions Of Dekatherms)	16.4	15.5	19.7

Source: Financial Operations

Product Cost

Petroleum, Natural Gas & Aerospace Energy

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Petroleum (U.S. Dollars in Millions)			
<u>BULK and PC&S:</u>			
AVGAS	\$2.8	\$2.6	\$5.1
Distillates & Diesel	\$1,393.9	\$1821.9	\$1,916.5
Gasohol	\$1.9	\$4.4	\$4.8
JP-4, JAB, JAA, & JA1	\$518.2	\$1,122.5	\$1,322.1
JP-5	\$863.9	\$1,240.1	\$1,146.3
JP-8, JPTS	\$4,965.4	\$6,162.3	\$5,869.8
Lube Oils	\$3.9	\$5.0	\$4.7
MOGAS (Leaded & Unleaded)	\$149.1	\$176.1	\$181.7
Residuals	\$37.6	\$40.8	\$22.5
Subtotal	\$7,936.7	\$10,575.7	\$10,473.5
Intoplane	\$354.7	\$396.1	\$462.0
Bunkers	\$376.4	\$330.8	\$334.5
Local Purchase	\$175.2	\$201.5	\$194.8
Total Petroleum	\$8,843.0	\$11,504.1	\$11,464.8
Natural Gas	\$128.2	\$130.2	\$153.2
Aerospace Energy	\$25.1	\$27.2	\$24.9

Source: Financial Operations

Purchases by Category

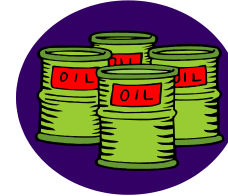
Petroleum & Natural Gas

	FY2005	FY2006	FY2007
<u>Petroleum (Thousands of Barrels)</u>			
Bulk And PC&S:			
AVGAS	16	16	26
Distillates & Diesel	21,206	22,079	22,786
Gasohol	21	45	51
JP-4, JAB, JAA, & JA1	9,283	15,598	19,380
JP-5	12,828	14,424	13,625
JP-8, JPTS	71,349	71,318	68,239
Lube Oils	29	28	26
MOGAS (Leaded & Unleaded)	2,103	1,971	1,904
Residuals	<u>903</u>	<u>733</u>	<u>411</u>
Subtotal	117,738	126,212	126,448
Intoplane	4,321	3,818	4,296
Bunkers	6,670	4,149	3,773
Local Purchase	<u>2,018</u>	1,715	<u>1,543</u>
Total Petroleum	130,747	135,894	136,060
Natural Gas (Millions Of Dekatherms)			
	16.4	15.5	19.7

Source: Financial Operations

Worldwide Petroleum Fuel Ending Inventory FY07

(Millions of Barrels and Dollars)



Worldwide Petroleum Fuel:

PRODUCT	BARRELS	DOLLARS
AVGAS	0.004	\$0.7
Distillates & Diesel	9.5	\$793.0
JP-4 (JP-4, JAB, JAA, & JA1)	2.2	\$203.8
JP-5	15.2	\$1,272.9
JP-8, JPTS	31.4	\$2,845.4
Lube Oils	0.012	\$1.8
MOGAS & Gasohol(Leaded & Unleaded)	0.2	\$21.7
Residuals	0.3	\$9.0
Additives	<u>0.028</u>	<u>\$7.1</u>
Total On-Hand & Intransit	58.8	\$5,155.4
Aerospace Energy		\$24.2

Note: Total excludes inventory accrual

INFRASTRUCTURE DATA

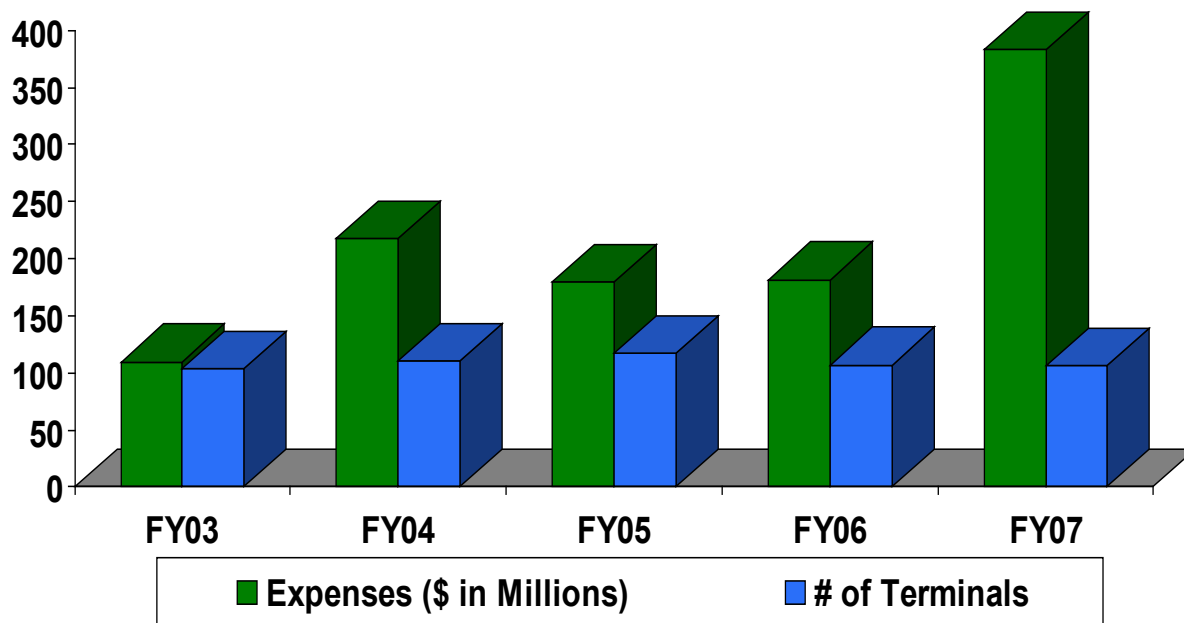
<u>TITLE</u>	<u>PAGE</u>
Number of Defense Fuel Support Points	22
Obligations for Storage/Distribution Services.	23
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Number of Defense Fuel Support Points Storing Government-Owned Fuel FY07

TYPE OF OPERATION	ARMY	NAVY	AIR FORCE	DLA	TOTAL
Government - Owned Government - Operated (GOGO)	172	42	166	2	382
Government - Owned Contractor - Operated (GOCO)	25	32	41	16	114
Contractor - Owned Contractor - Operated (COCO)	0	0	0	37	37
North Atlantic Treaty Organization (NATO)	0	0	0	6	6
Commercial Pipeline	0	0	0	37	37
Floating Storage	0	59	0	0	59
Foreign Government	0	0	4	8	12
Total	197	133	211	106	647

NOTE: Defense Fuel Support Points (DFSPs) as of September 30, 2007
GOCOs in caretaker status during environmental cleanup not included in numbers

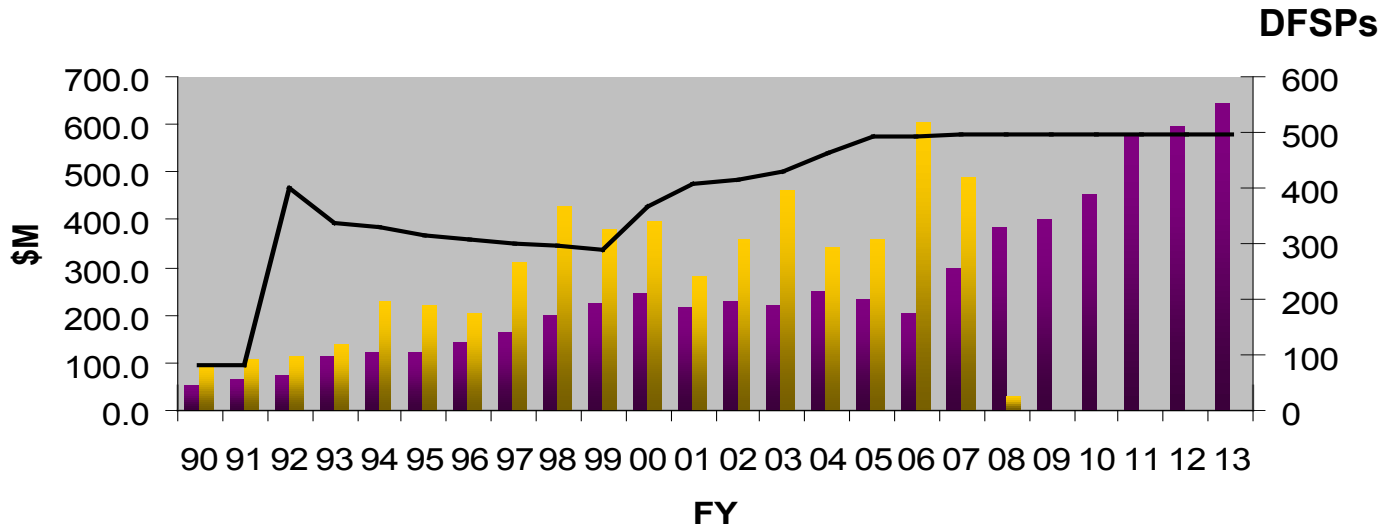
Obligations for Storage/Distribution Services GOGO/GOCO/COCO/FG/NATO



NOTE: FY07 increase was the result of obligation of 5-year contracts.

SRM Program (MR&E)

DESC SRM Funding FY90 - FY13 vs Capitalization



■ TOTAL SRM Funding
 ■ FY Value \$M of New Projects
 — Capitalized Facilities

Note:

- The black line indicates the historical capitalization of the Services Petroleum infrastructure since FY92 when DESC began capitalization. Government owned DFSPs are eligible for SRM and Environmental funds from DESC.
- The purple bars indicate the historical funding levels from FY90 - FY08 in then year dollars. In addition, the forecasted funding requirements for FY09 -FY13 are shown.
- The Yellow bars indicate each FY's new projects total working estimates as submitted by the Services.

DESC BUSINESS VENTURES

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Utility Privatization Awards/Cost Avoidance	30-34
Small Business Program Achievements	35

DESC Optimization Projects

(U.S. Dollars in Millions)

LOCATION	SERVICE	TYPE	CONTRACT START DATE	CONTRACT END DATE	PROJECTED SAVINGS OVER CONTRACT PERIOD (NPV, \$M)
Ft. Jackson, SC (Retail)	USA	COCO	Jun-99	2019	-.8*
29 Palms, CA (Retail)	USMC	COCO	Jul-99	2019	8.2
Ft. Hood, TX (Bulk)	USA	GOCO	Dec-00	2005	5.7
Hunter AAF, GA (Bulk & Airfield)	USA	GOCO	Dec-00	2005	0.8
Ft. Stewart, GA (Retail)	USA	COCO	Jun-01	2021	3.4
MC Bases, Okinawa (Retail)	USMC	GOCO	Apr-02	2007	1.6
Ft. Gordon, GA (Retail)	USA	COCO	Oct-02	2007	0.1*
Moffett, CA (Bulk/Alongside Refueling)	ANG/NASA	GOCO	May-03	2023	3.9
Ft. Lewis, WA (Retail)	USA	GOCO	Sep-03	2007	3.5
Simmons/Camp Mackall, NC (Bulk/Alongside Refueling)	USA	GOCO	Sep-03	2023	3.8
Ft. Carson, CO (Retail)	USA	COCO	Mar-04	2024	8.9
Ft. Campbell, KY (Retail)	USA	COCO	Jul-05	2025	0.3*
TOTAL					\$39.4

NOTE: * Non-quantified environmental liability added to risk and justified optimization
Source: Facilities and Distribution Management Commodity Business Unit

Current Optimization Studies

LOCATION	SERVICE
Ft. Drum, NY	USA
Mt. Home AFB, MT	USAF
MCAS Beaufort, SC	USMC
DFSP San Pedro, CA	DLA
US Army Europe (Retail, Bulk, Airfield)	USA



Projected Optimization Studies for FY 2008

LOCATION	SERVICE
Cherry Point, NC	MCAS
Hunter AAF	USA
Quantico/Military District of Washington	USMC/USA

Completed Optimization Studies

(U.S. Dollars in Millions)

LOCATION	# OF FACILITIES	SERVICE	TYPE	PROJECTED SAVINGS (NPV)	PROJECT APPROVED	STATUS
US Army Europe (Retail, Bulk, Airfield)	42	USA	GOCO	\$7.5M over 20 years	No	Further Study
US Army Korea (Retail)	10	USA	GOCO	\$31.4M over 20 years	Yes	PWS Development
Ft. Campbell, KY (Bulk & Airfield)	1	USA	GOCO/COCO	\$4.5M over 32 years*	Yes	PWS Development
Camp Pendleton, CA (Retail)	5	USMC	COCO	\$5.2M over 20 years	Yes	PWS Development
Camp Lejeune, NC (Retail)	6	USMC	GOCO/COCO	\$7.5M over 20 years	Yes	Solicitation
Cape Canaveral Air Station, FL (Retail & Bulk)	1	USAF	GOCO/COCO	\$1.7M over 32 years*	Yes	PWS Development
Ft. Polk, LA (Bulk & Airfield)	2	USA	COCO	\$16.6M over 32 years	Yes	PWS Development
USAF Bulk Fuel Initiative	46	USAF	GOCO	\$135M over 20 years	Yes	Solicitation
CNIC Fuel Storage Facilities	23	USN	GOCO	\$26M over 20 years	No	N/A
TOTAL				\$235.4M		

NOTE: * Non-quantified environmental liability added to risk and justifies outsourcing

Energy Savings Performance Contract Awards to Date

LOCATION	ENERGY CONSERVATION MEASURES	ENERGY SERVICE COMPANY (ESCO)	DATE	TOTAL AWARD AMOUNTS	CONTRACT TERM
Northeast Regional Office (NERO) formerly MDW	15 ECMs	Pepco Gov't Services LLC	Jun 99	\$214.1 M	18 years
Fort Jackson, SC	Lighting Upgrades, GSHP Retrofits, Chiller Plant Upgrades, Demand Limiting System	Ameresco Solutions, Inc.	Sep 01	\$43.8 M	26 years
Aberdeen Proving Ground, MD	GHP	Constellation Energy Source	Sep 01	\$14.6 M	20 years
Fort Hamilton, NY	Lighting Retrofits, Energy Management Control System, Water Savings	ConEdison Solutions, Inc.	Nov 01	\$7.3 M	15 years
Carlisle Barracks, PA	Direct Digital Controls, HVAC, GHD, Lighting Efficiency Improvements	Energy Performance Services, Inc.	Jul 02	\$16.3 M	17 years
Fort Hood, TX	UMCS Improvements, Vending Machine Controls, Cooling Tower, Lighting Retrofit	Johnson Controls	Sep 03	\$11.3 M	21 years
Fort Monmouth, NJ	Lighting Upgrade, HVAC Renovation, UESC Implementation, GHP, Cogeneration System Site Preparation/Feasibility	Ameresco Solutions, Inc.	Sep 03	\$51.4 M	22 years
Fort Hood, TX Delivery Order #2	UMCS Improvements, Vending Machine Controls, Lighting Retrofit	Johnson Controls	May 06	\$38.5 M	22 years

Utility Privatization Support

In December 1997, the Deputy Secretary of Defense directed the Military Departments to develop plans for privatizing all of their utility systems (electric, natural gas, water and waste water), except those needed for unique security reasons or where privatization is not economical. Since that time and by request from the Military Services, DESC has established a customer-centric team, segmented by Services, to support the Military Departments in their efforts to privatize on-base infrastructure and acquire safe, reliable utility services along the privatized systems.

Contracts Awarded in FY 07

FY 2007 – (Total Value - \$5.0 Billion)

A.P. Hill, VA – Water/Wastewater
Fort Bragg, NC – Water/Wastewater
Fort Gordon, GA – Water/Wastewater
Fort Greely, AK – CHPP/Electric/Water/Wastewater
Fort Jackson, SC – Water/Wastewater
Fort Richardson, AK – Natural Gas/Electric/Water/Wastewater
Fort Wainwright, AK – CHPP/Electric/Water/Wastewater
Fairchild AFB, WA – Natural Gas
Grissom ARB, IN – Electric
Scott AFB, IL - Water

Previous Years Awards

FY 2006 – (Total Value - \$613.5M)

Charleston AFB, SC - Gas
Fort Belvoir, VA – Electric
Fort Bragg, NC – Water/Wastewater Plants
Fort Gordon, GA – Electric
Fort Myer/McNair, VA - Electric
Natick Soldier Systems Command, MA – Electric

FY 2005 – (Total Value - \$302.3M)

Andrews AFB, MD – Water/Wastewater
Fort Eustis, VA – Water/Wastewater
Fort Leavenworth, KS – Electric
Fort Lee, VA – Wastewater
Fort Monroe, VA – Water/Wastewater
Natick Soldier Systems Command, MA – Electric
Fort Story, VA – Water/Wastewater

FY 2004 – (Total Value - \$530.5M)

Dobbins ARB, GA – Electric
Bolling AFB, DC – Water/Wastewater
Fort Bliss, TX – Water/Wastewater
Fort Eustis, VA – Electric
Fort Lee, VA – Electric
Fort Monroe, VA – Electric
Fort Story, VA – Electric
Fort Knox, KY – Wastewater/Stormwater

FY 2003 – (Total Value - \$356.9M)

Picatinny Arsenal, NJ – Electric
Fort McNair, VA – Gas
Fort Bliss, TX – Gas
Fort Rucker, AL – Electric/Gas/Water/Wastewater
Fort Leavenworth, KS – Water/Wastewater
Randolph AFB, TX - Wastewater
Sunny Point, NC - Electric

FY 2002 – (Total Value - \$98.1M)

Fort Bliss, TX - Electric

FY 2001 – (Total Value - \$1.3M)

Fort Detrick – Gas (GSA)
Bolling AFB – Gas (GSA)
Minneapolis-St Paul - Gas (GSA)

Utility Privatization Awards/Cost Avoidance

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	TOTAL ESTIMATED CONTRACT COST AVOIDANCE (Net Present Value)
Fort Detrick Maryland	Gas	Washington Gas and Light	Dec 00	\$0.700M (Construction Project)	N/A
Bolling AFB Washington DC	Gas	Washington Gas and Light	Jul 01	\$0.428M (Construction Project)	N/A
Minneapolis Saint Paul ARS Minnesota	Gas	Minnesota Gas	Sep 01	\$0.173M (For 50 Years)	\$0.09M (For 50 Years)
Fort Bliss Texas	Electric	Rio Grande Electric Cooperative	Sep 02	\$98.1M (For 50 Years)	\$34.3M (For 50 Years)
Picatinny Arsenal New Jersey	Electric	Sussex Rural Electric Cooperative	Oct 02	\$42.2M (For 50 Years)	\$10.4M (For 50 Years)
Fort McNair Virginia	Gas	Washington Gas and Light	Feb 03	\$0.403M (Construction Project)	N/A
Fort Bliss Texas	Gas	Texas Gas Service	Mar 03	\$9.5M (For 10 Years)	\$2.5M (For 10 Years)
Fort Rucker Alabama	Gas	Southeast Alabama Gas District	Apr 03	\$8.6M (For 50 Years)	\$6.2M (For 50 Years)
Fort Rucker Alabama	Electric	Alabama Power	May 03	\$37.8M (For 20 Years)	\$14.1M (For 20 Years)

Utility Privatization Awards/Cost Avoidance (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	TOTAL ESTIMATED CONTRACT COST AVOIDANCE (Net Present Value)
Fort Leavenworth Kansas	Water/ Wastewater	American Water Services	Sep 03	\$95.7M (For 50 Years)	\$17.5M (For 50 Years)
Fort Rucker Alabama	Water/ Wastewater	American Water Services	Sep 03	\$118.4M (For 50 Years)	\$53.1M (For 50 Years)
Randolph AFB Texas	Wastewater	San Antonio River Authority	Sep 03	\$26.9M (For 50 Years)	\$1.7M (For 50 Years)
Sunny Point Military Ocean Terminal North Carolina	Electric	Brunswick Electric Membership	Sep 03	\$17.4M (For 50 Years)	\$0.5M (For 50 Years)
Dobbins ARB Georgia	Electric	Georgia Power	Feb 04	\$13.0M (For 50 Years)	\$2.2M (For 50 Years)
Bolling AFB Washington DC	Water/ Wastewater	Washington Suburban Sanitary Commission	Mar 04	\$26.8M (For 50 Years)	\$6.8M (For 50 Years)
Fort Bliss Texas	Water/ Wastewater	American States Utility Services	Jun 04	\$197.6M (For 50 Years)	\$19.4M (For 50 Years)
Fort Eustis Virginia	Electric	Dominion Virginia Power	Jun 04	\$39.0M (For 50 Years)	\$21.9M (For 50 Years)
Fort Lee Virginia	Electric	Dominion Virginia Power	Jun 04	\$68.0M (For 50 Years)	\$4.8M (For 50 Years)

Utility Privatization Awards/Cost Avoidance (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	TOTAL ESTIMATED CONTRACT COST AVOIDANCE (Net Present Value)
Fort Monroe Virginia	Electric	Dominion Virginia Power	Jun 04	\$23.8M (For 50 Years)	\$2.4M (For 50 Years)
Fort Story Virginia	Electric	Dominion Virginia Power	Jun 04	\$11.9M (For 50 Years)	\$4.9M (For 50 Years)
Fort Knox Kentucky	Wastewater/ Stormwater	Hardin County Water District #1	Sep 04	\$150.4M (For 50 Years)	\$40.5M (For 50 Years)
Andrews AFB Maryland	Water/ Wastewater	American States Utility Services	Sep 05	\$114.3M (For 50 Years)	\$19.0M (For 50 Years)
Fort Eustis Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$58.0M (For 50 Years)	\$7.2M (For 50 Years)
Fort Leavenworth Kansas	Electric	Leavenworth Jefferson Electric Cooperative	Sep 05	\$65.5M (For 50 Years)	\$12.0M (For 50 Years)
Fort Lee Virginia	Wastewater	American States Utility Services	Sep 05	\$23.5M (For 50 Years)	\$2.4M (For 50 Years)
Fort Monroe Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$19.4M (For 50 Years)	\$0.4M (For 50 Years)
Fort Story Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$21.5M (For 50 Years)	\$0.6M (For 50 Years)

Utility Privatization Awards/Cost Avoidance (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	TOTAL ESTIMATED CONTRACT COST AVOIDANCE (Net Present Value)
Charleston AFB South Carolina	Gas	South Carolina Electric & Gas	Sep 06	\$4.6M (For 50 Years)	\$0.2M (For 50 Years)
Fort Belvoir Virginia	Electric	Dominion Virginia Power	Sep 06	\$214.1M (For 50 Years)	\$33.4M (For 50 Years)
Fort Bragg North Carolina	Water (Plant)	City of Fayetteville	Sep 06	\$135.4M (For 40 Years)	\$19.2M (For 40 Years)
Fort Bragg North Carolina	Wastewater (Plant)	County of Harnett	Sep 06	\$91.1M (For 40 Years)	\$29.9M (For 40 Years)
Fort Gordon Georgia	Electric	Georgia Power	Sep 06	\$71.4M (For 50 Years)	\$11.0M (For 50 Years)
Fort Myer/McNair Virginia	Electric	Dominion Virginia Power	Sep 06	\$73.3M (For 50 Years)	\$6.9M (For 50 Years)
Natick Soldier Systems Command Massachusetts	Electric	NSTAR	Sep 06	\$23.6M (For 50 Years)	\$3.4M (For 50 Years)
Fort A.P. Hill Virginia	Water/ Wastewater	American Water	Sep 07	\$98.1M (For 50 Years)	\$15.0M (For 50 Years)
Fort Bragg North Carolina	Water/ Wastewater	American States Utility Services	Sep 07	\$575.4M (For 50 Years)	\$95.2M (For 50 Years)
Fort Gordon Georgia	Water/ Wastewater	Augusta Utility Department	Sep 07	\$202.5M (For 50 Years)	\$12.6M (For 50 Years)

Utility Privatization Awards/Cost Avoidance (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	TOTAL ESTIMATED CONTRACT COST AVOIDANCE (Net Present Value)
Fort Greely Alaska	CHPP/Electric Water Wastewater	Doyon Utilities	Sep 07	\$553.3M (For 50 Years)	\$122.8M (For 50 Years)
Fort Jackson Georgia	Water/ Wastewater	American States Utility Services	Sep 07	\$143.8M (For 50 Years)	\$17.9M (For 50 Years)
Fort Richardson Alaska	Electric Natural Gas Water Wastewater	Doyon Utilities	Sep 07	\$939.6M (For 50 Years)	\$116.8M (For 50 Years)
Fort Wainwright Alaska	CHPP/Electric Water Wastewater	Doyon Utilities	Sep 07	\$2,422.2M (For 50 Years)	\$710.7M (For 50 Years)
Fairchild AFB Washington	Natural Gas	Avista	Sep 07	\$1.9M (For 50 Years)	\$0.3M (For 50 Years)
Grisson ARB Indiana	Electric	Miami-Cass	Sep 07	\$5.1M (For 50 Years)	\$1.0M (For 50 Years)
Scott AFB Illinois	Water	American Water	Sep 07	\$67.3M (For 50 Years)	\$7.7M (For 50 Years)

Small Business Program Achievements

(In Thousands)

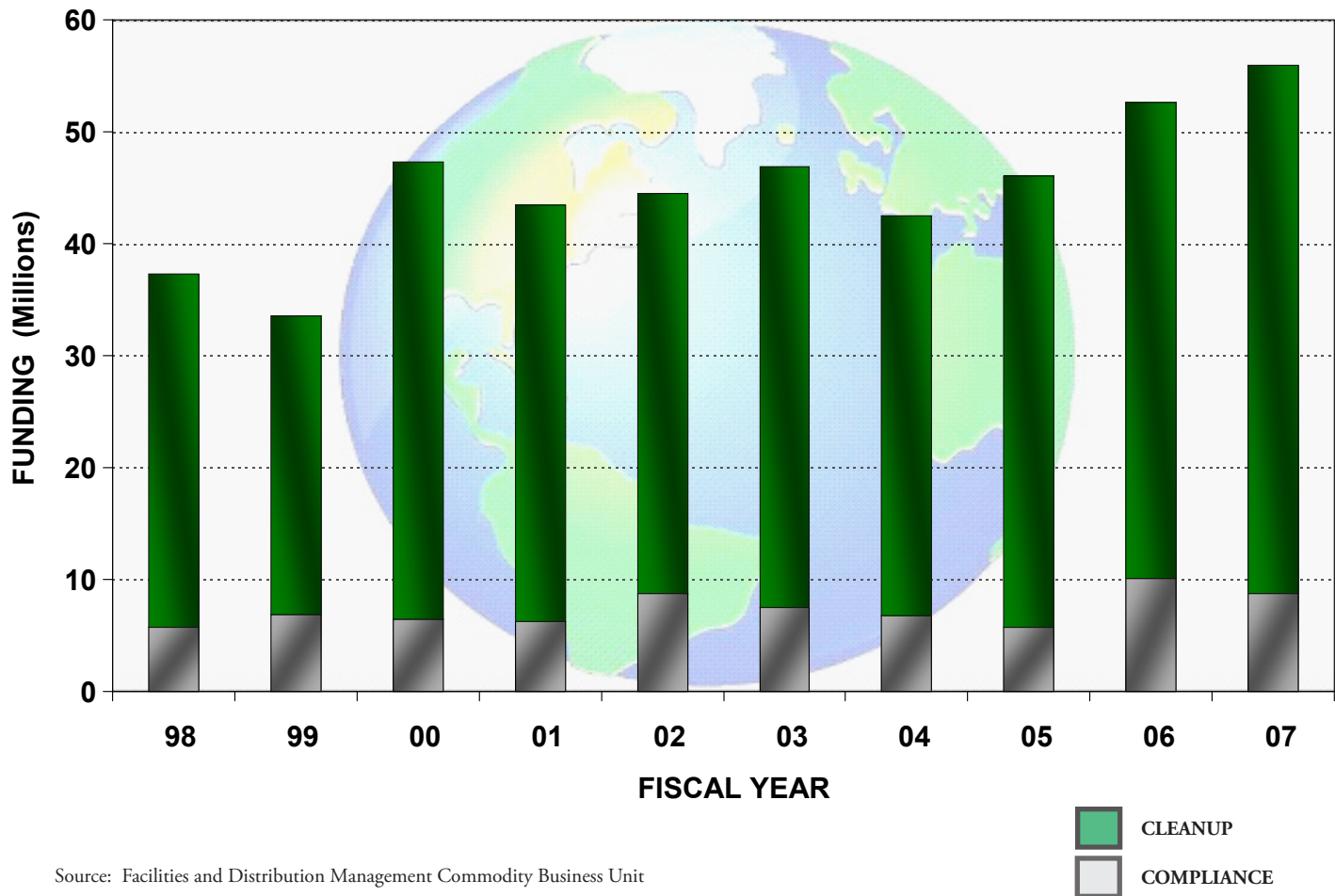
	FISCAL YEAR 05			FISCAL YEAR 06			FISCAL YEAR 07		
Small Business Preference Programs	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS
Small Business Awards	23%	33.1%	\$2,385,759	23%	32.8%	\$2,532,594	22.9%	18.6%	\$1,506,339
Small Disadvantaged Business Awards	4%	4.6%	\$333,592	4%	3.2%	\$244,830	4%	0.025%	\$2,017
Direct Competitive			\$325,668			\$241,135			
Section 8 (a)	0.5%	0.11%	\$7,924	0.1%	0.04%	\$3,695	.1%	0.0%	\$63
Women-Owned Small Business Awards	1.3%	1.9%	\$137,630	1.1%	1.5%	\$119,044	1.1%	0.88%	\$71,230
Hubzone Small Business Awards	2.1%	2.9%	\$209,863	1.1%	.4%	\$30,103	1.1%	0.14%	\$11,158
Svc-Disabled Vet-Owned Small Business Awards	.7%	0%	\$1,454	.5%	0%	\$2,790	.5%	0.02%	\$1,360
Total Domestic Awards			\$3,401,890			\$3,174,191			\$1,592,167

Note: All percentages based on total domestic dollars awarded

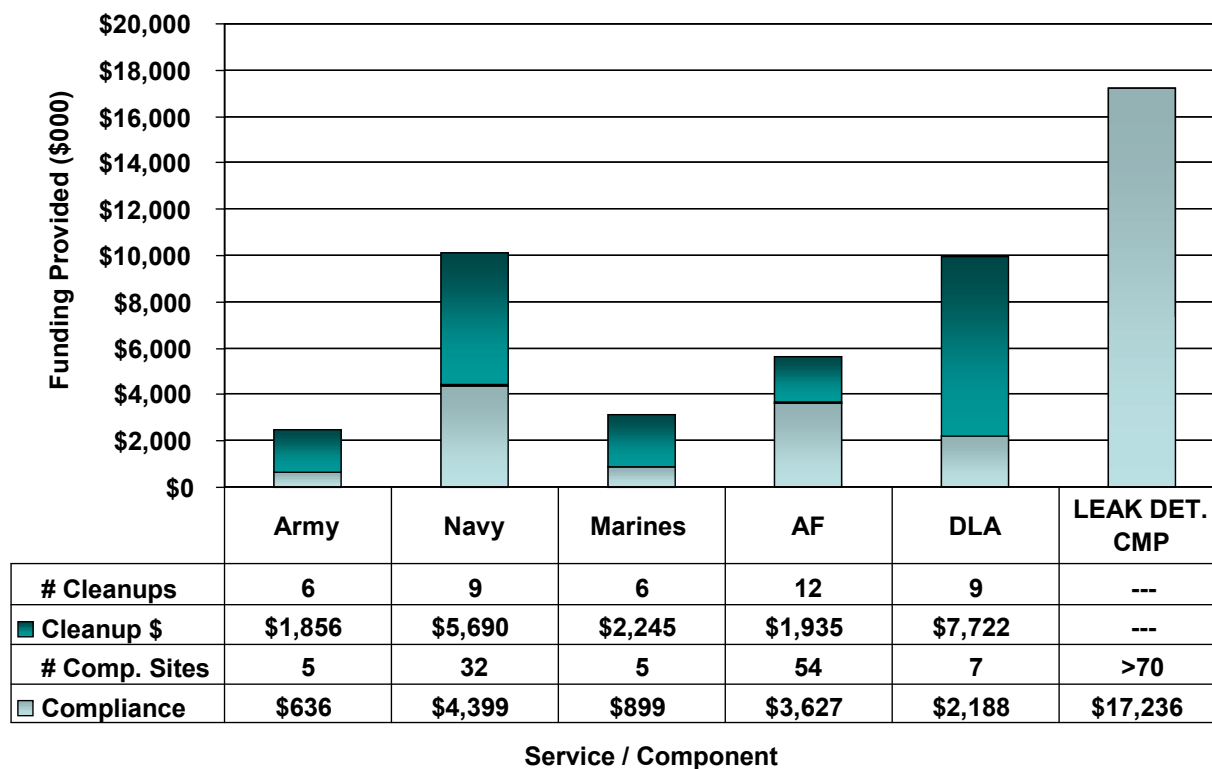
ENVIRONMENTAL CLEANUP

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Environmental Program Annual Compliance and Cleanup Funding



FY07 Compliance & Cleanup Funding



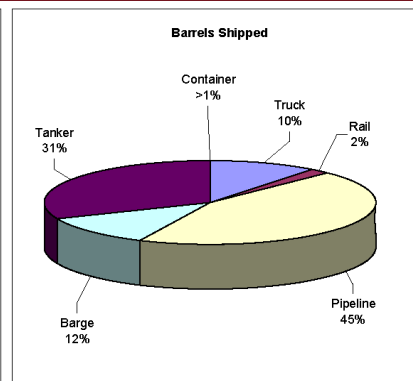
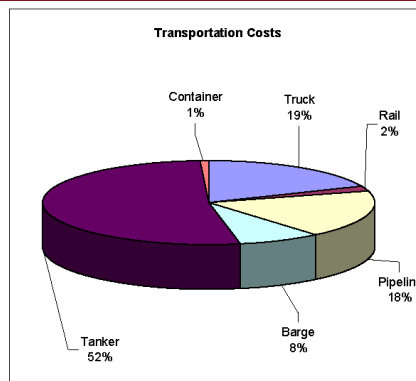
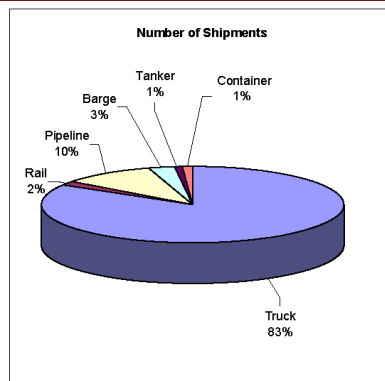
Source: Facilities and Distribution Management Commodity Business Unit

FUEL TRANSPORTATION

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FY07 World-Wide Bulk Product Transportation

(Frequency - Cost - Volume)



		TRUCK	RAIL	*PIPELINE	BARGE	TANKER	SEAVAN	TOTAL
CONUS	Shipments	17,588	461	2,583	774	109	-	21,515
	Cost (\$ Millions)	43.1	4.7	64.4	27.2	49.0	-	188.3
	Barrels (Millions)	12.8	2.4	54.9	16.0	16.2	-	102.2
OCONUS	Shipments	12,455	163	923	266	198	385	14,390
	Cost (\$ Millions)	22.3	2.5	-	1.1	134.3	3.1	163.3
	Barrels (Millions)	2.3	0.5	8.9	0.8	29.1	0.1	41.6
TOTAL	Shipments	30,043	624	3,506	1,040	307	385	35,905
	Cost (\$ Millions)	65.3	7.2	64.4	28.3	183.3	3.1	351.6
	Barrels (Millions)	15.1	2.9	63.8	16.7	45.3	0.1	143.8

* Costs associated with OCONUS Pipeline shipments are funded under International Agreement (DESC-F) and have been excluded to avoid duplication information.

** Costs associated with OCONUS Tankers include funding provided to MSC for Pre-positioned Vessels and MARAD in support of OPDS.

Transportation Expense

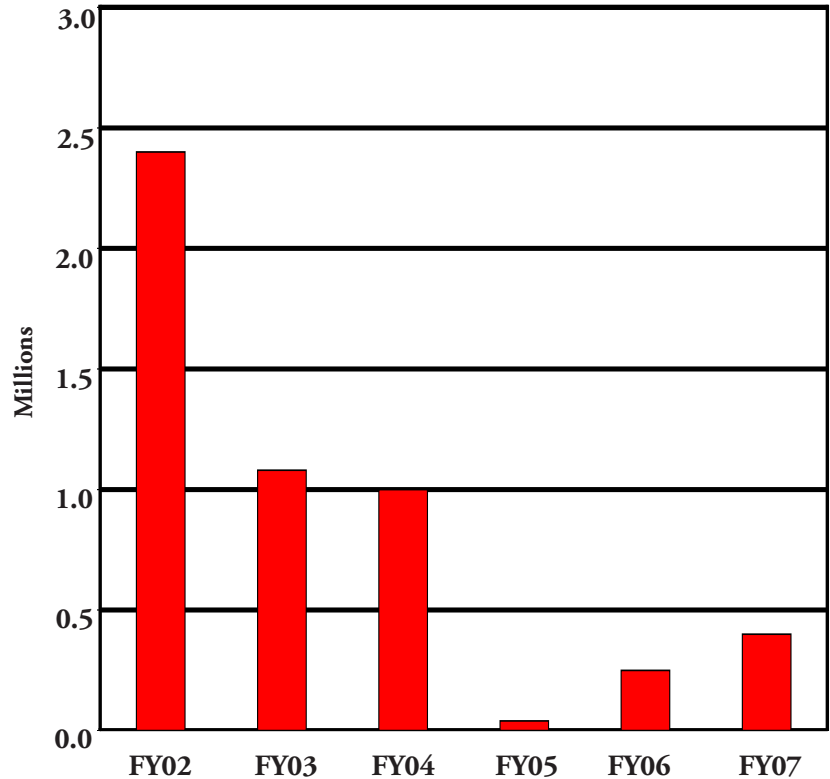
(U.S Dollars in Millions)

<u>WORLDWIDE PETROLEUM FUEL:</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
AVGAS	\$0.1	\$0.1	\$0.1
Distillates & Diesel	\$68.0	\$77.0	\$79.5
JP-4, JAB, JAA, & JA1	\$29.7	\$54.4	\$67.6
JP-5	\$41.1	\$50.3	\$47.5
JP-8, JPTS	\$228.6	\$248.7	\$238.1
Lube Oils	\$0.1	\$0.1	\$0.1
MOGAS (Leaded & Unleaded)	\$6.8	\$6.9	\$6.8
Residuals	\$2.9	\$2.6	\$1.4
Total	\$377.3	\$440.1	\$441.1
Worldwide Aerospace Energy	\$2.7	\$3.3	\$5.6

Demurrage Collected

(U.S. Dollars in Millions)

FISCAL YEAR	TOTAL
2007	\$0.40
2006	\$0.25
2005	\$0.04
2004	\$1.00
2003	\$1.08
2002	\$2.40



NOTE: Demurrage is a charge assessed for holding a conveyance beyond the “free time” or “allowable laytime.” Demurrage collected is from ocean tanker and barge modes of supply. The decrease in demurrage collected is a result of focus on improved demand planning, scheduling, and supplier relationship management. Primary causes of demurrage have been weather related delays and product specification related issues.

INTERNATIONAL AGREEMENTS

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Port, Depot Storage, Pipeline, Product, Service & Fuel Exchange Agreements FY07

(U.S. Dollars in Millions)

<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL BUDGET</u>
DESC-EUROPE	11	\$44.5
DESC-MIDDLE EAST	2	\$38.5
DESC-PACIFIC	3	\$29.1
FUEL EXCHANGE AGREEMENTS	29	\$259.6
TOTAL	45	\$371.7

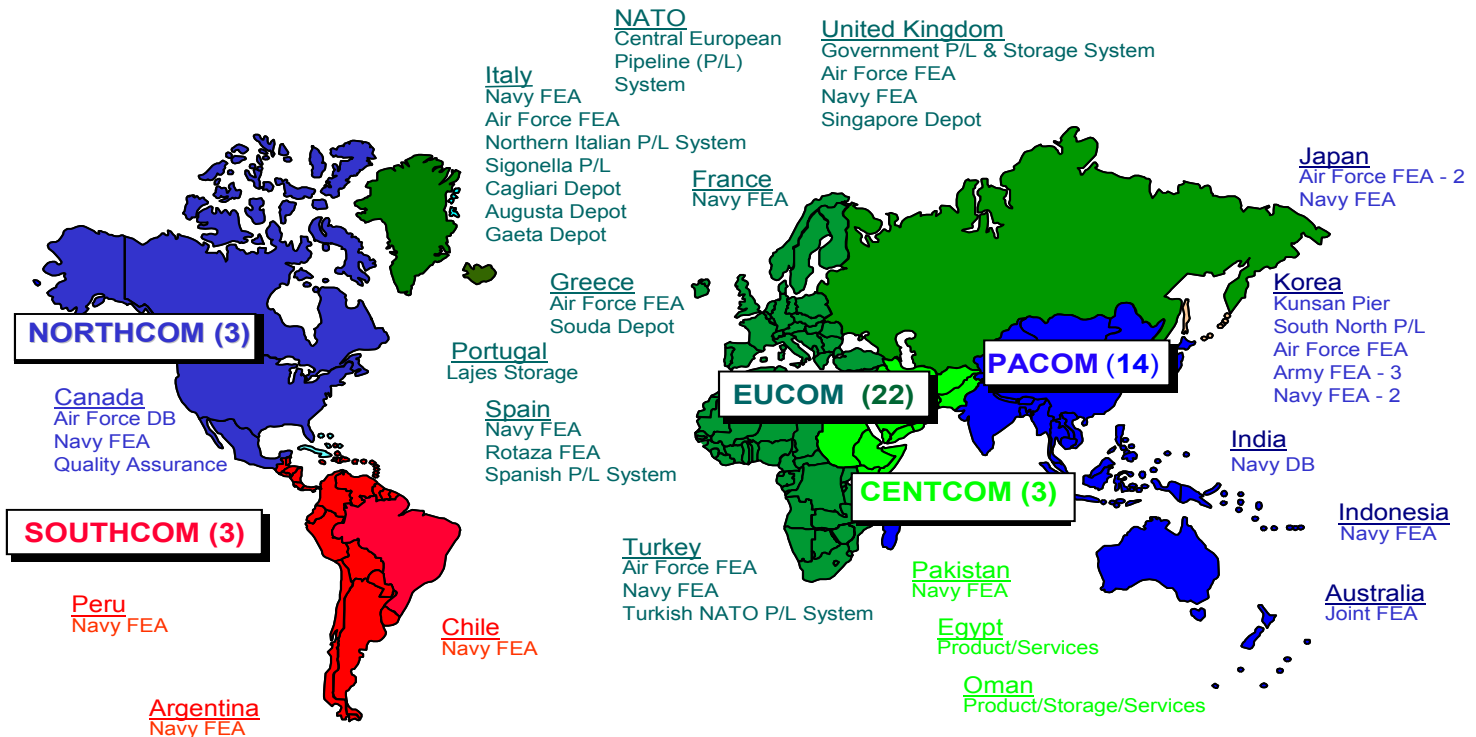


NEW DESC AGREEMENTS BEING NEGOTIATED: 16

Source: Facilities and Distribution Management Commodity Business Unit

Agreement “Snapshot”

45 Agreements In Place



Fuel Exchange Agreement (FEA)
Direct Bill (DB)

DESC CONTRACT STATISTICS

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Petroleum Contract Introduction

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- Contracts are either requirements-type or indefinite-quantity with a minimum guarantee.
- Minimum/maximum delivery order limitations are defined.
- Fuel is called forward through delivery orders.
- Contracts contain price adjustment clauses.
- Contract prices are indexed to market price indicators.
- Contract prices are adjusted upward or downward as indicators rise or fall.
- DESC pays the contract price in effect on the date of delivery, or as otherwise adjusted in the contract price.



Contract Award Data FY07

	U.S. DOLLARS IN MILLIONS (M) OR BILLIONS (B) <u>COMMITTED/OBLIGATED</u>	TOTAL AWARD \$ IN MILLIONS (M) <u>OR BILLIONS (B)</u>	<u>CONTRACT ACTIONS</u>
Bulk Fuel Division		10.6 (B)	231
Domestic	6.1 (B)		
Overseas	2.5 (B)		
Lubes/Additives/JPTS	18.7 (M)		
Foreign Military Sales (FMS)	287 (M)		
Operation Iraqi Freedom/Enduring Freedom	1.7 (B)		
Ground Fuels Division		962.3 (M)	943
Domestic	203.7 (M)		
Overseas	758.6 (M)		
Mobility Fuels		876.7 (M)	307
Into-Plane	705.1 (M)		
Bunkers	171.6 (M)		
Facilities Procurement Division		418.8 (M)	498
Storage	297.5 (M)		
Alongside Aircraft Refueling	37.2 (M)		
Environmental	12.8 (M)		
Testing/Services	11.3 (M)		
Miscellaneous	60 (M)		
Installation Energy		544.7 (M)	145
Natural Gas	13 (M)		
Coal	0.0	60.7 (M)	
Electricity	471 (M)		
Energy Enterprises			
Utility Privatization	236 (M)	5 (B)	65
Energy Savings Performance Contracts	0.0		
Aerospace Energy	126 (M)	160.2 (M)	1,252
Total	13.7 (B)	18.6 (B)	3,441

Note: Data Source Is Fy07 CARs Which Represent Contract Actions (Estimated Dollar Value)

Source: Procurement Planning and Support Division, Procurement Oversight Branch

Top Ten Petroleum Suppliers FY 07

U.S. Dollars in Billions (B) or Millions (M)



<u>CONTRACTOR</u>	<u>AWARD AMOUNT</u>	<u>% OF TOTAL CONTRACT \$</u>
Shell	\$2.108 (B)	17.21%
Valero Marketing and Supply Company	\$1.027 (B)	8.39%
ExxonMobil	\$1.019 (B)	8.32%
BP Corporation	\$961 (M)	7.84%
SK Corporation	\$605 (M)	4.94%
International Oil Trading Company (IOTC)	\$601 (M)	4.91%
Kuwait Petroleum Corporation (KPC)	\$431 (M)	3.52%
Motor Oil (HELLAS) (MOH)	\$411 (M)	3.36%
GS Caltex Corporation	\$372 (M)	3.04%
Mina Corporation Limited	\$364 (M)	2.97%
Total	\$7.899 (B)	64.50%

Top Ten Installation Energy Suppliers* FY07

(U.S. Dollars in Millions)

<u>SUPPLIER</u>	<u>CONTRACT \$\$</u>	<u>% OF TOTAL CONTRACT \$\$</u>
Amerada Hess Corp.	\$318.9	13%
PEPCO Energy Services	\$267.5	11%
BP Energy	\$218.7	9%
Washington Gas Energy Services	\$199.9	8%
Constellation New Energy	\$195.3	8%
INTEGRYS Energy Services	\$141.9	6%
Usibelli Coal Mine	\$138.6	6%
Tiger Natural Gas	\$ 91.4	4%
Seminole Energy Services, LLC	\$ 73.4	3%
GEXA Energy	<u>\$ 67.9</u>	<u>3%</u>
Total	\$1,713.5	71%

*Represents FY07 single and multi-year contracts

Environmental Contracts - FY07

Anchorage, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$14,579
Charleston, SC	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$1,274,050
Cincinnati, OH	Assessment/Remediation	1 Aug 05 - 31 Jul 06 ¹	\$20,575
Eielson, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$90,000
Fort Hood, TX	Assessment/Remediation	1 Jul 04 - 30 Jun 09	\$21,578
Grand Forks, ND	Assessment/Remediation	1 Jul 04 - 30 Jun 09	\$0
Hunter Army Airfield, GA	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$16,000
Indian, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$12,139
Jacksonville, FL	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$76,341
Melville, RI	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$239,672
Newington, NH	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$107,793
Norfolk, VA	Assessment/Remediation	5 Dec 03 - 4 Dec 08	\$368,275
Norwalk, CA	Assessment/Remediation	1 Jul 03 - 30 Jun 08	\$642,126
Ozol, CA	Assessment/Remediation	1 Jul 03 - 30 Jun 08	\$116,561
Philadelphia, PA	Assessment/Remediation	1 Mar 00 - 28 Feb 08 ¹	\$2,429,335
San Diego, CA (Point Loma)	Assessment/Remediation	1 Jul 03 - 30 Jun 08	\$643,398
San Pedro, CA	Assessment/Remediation	1 Jul 03 - 30 Jun 08	\$290,507
Tampa, FL	Assessment/Remediation	1 Apr 04 - 31 Mar 09	\$55,003
Verona, NY	Assessment/Remediation	1 Dec 03 - 30 Nov 08	\$18,980
Whittier, AK	Assessment/Remediation	1 Mar 05 - 28 Feb 10	\$332,473
Casco Bay, ME	Assessment/Remediation	1 Nov 05 - 31 Oct 10	\$142,030
N/A	Environmental Document Updates	1 Oct 06 - 30 Sep 11	\$645,659
N/A	OPA-90 Training	1 Jan 07 - 31 Dec 11	\$500,000
N/A	ESOH	1 Aug 06 - 31 Jul 11	\$17,186

APPROXIMATE ANNUAL VALUE TO DATE

\$8,074,261

TOTAL NUMBER OF CONTRACTS: 24

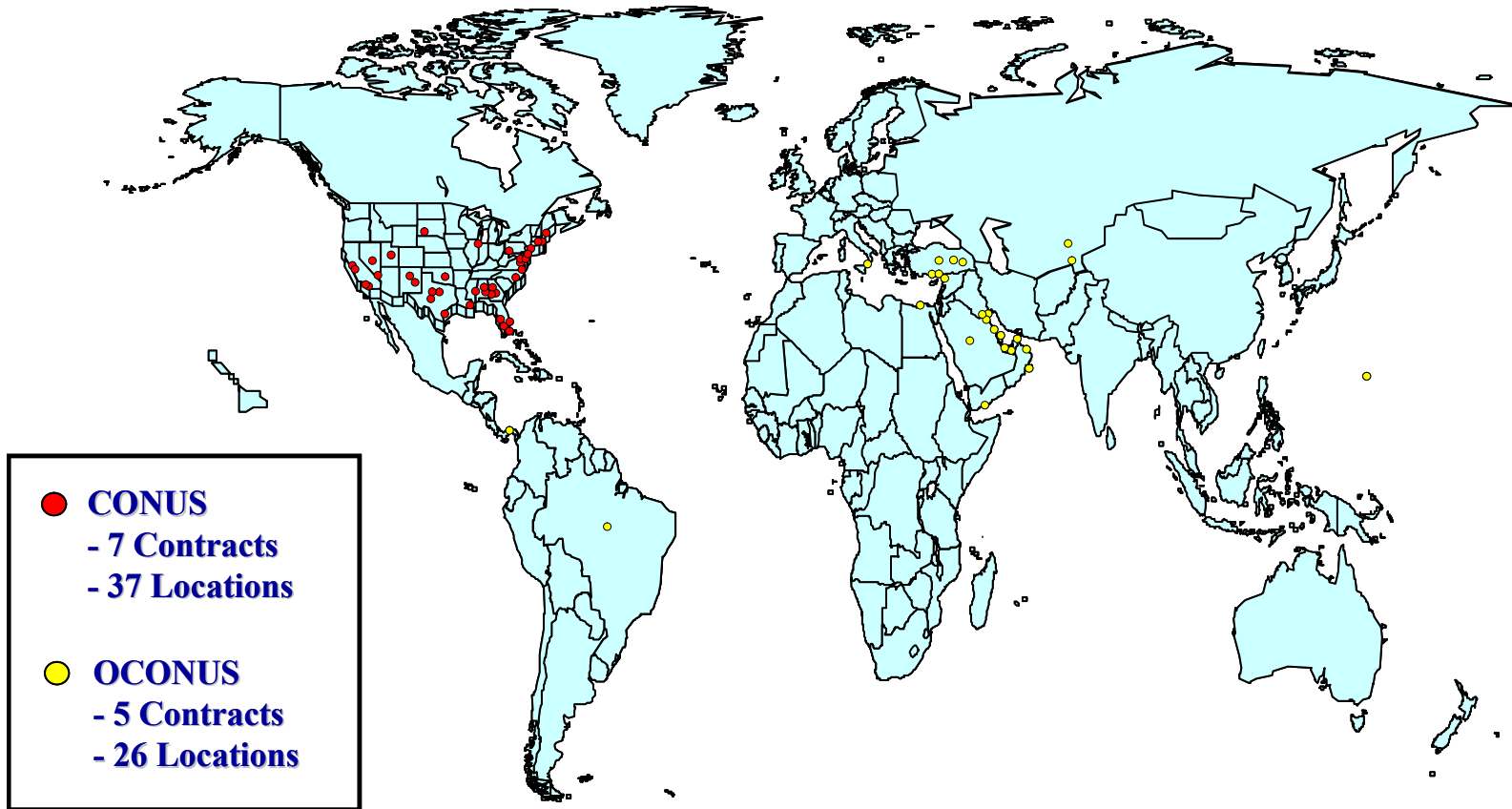
Note 1: In one year sole source extension.

Note 2: Annual figure derived by dividing task orders to date by the approximate period elapsed.

Source: Facilities and Distribution Management Commodity Business Unit

Testing Contracts FY07

(For Petroleum Products)



Note: These are service contracts for testing of petroleum products

Source: Facilities and Distribution Management Commodity Business Unit

FUEL PROCUREMENT

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Into-Plane Contracts	49
Ships Bunkers Contracts	50
Alongside Aircraft Refueling.	51
Posts, Camps and Stations Contracts	52

Into-Plane Contracts FY07

DOMESTIC (CONUS)

- 338 Locations Supported
- \$1.0B Contract Value
- 10.0M Barrels

OVERSEAS (OCONUS)

- 183 Locations (101 Countries)
- \$628.2M Contract Value
- 9.5M Barrels



TOTAL SALES

- \$463.5M Contract
- \$223.6M Non-Contract

Represents active multi-year contract data as of 30 Sep 2007

Ships Bunkers Contracts

DOMESTIC (CONUS)

- 121 Ports Supported
- \$322.7M Contract Value
- 5.2M Barrels

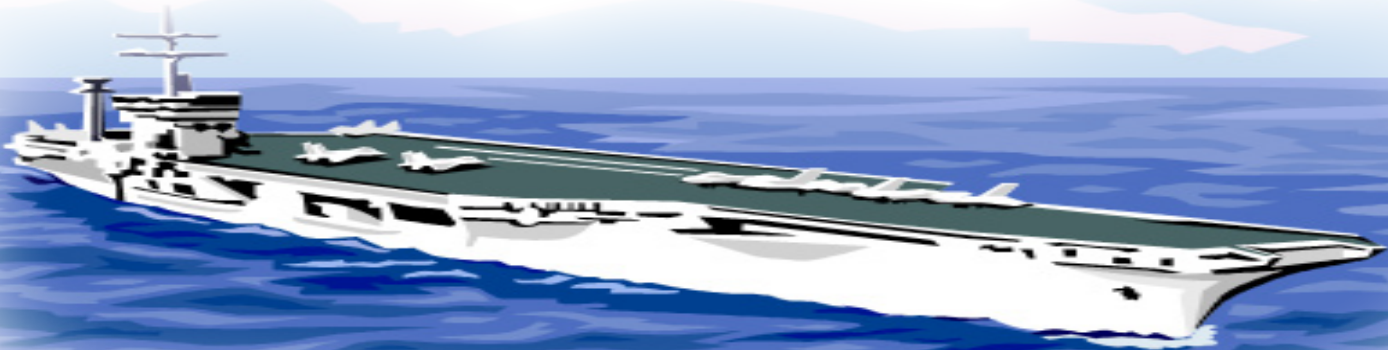
OVERSEAS (OCONUS)

- 146 Ports in 66 Countries Supported
- \$1.2B Contract Value
- 15.8M Barrels

TOTAL SALES

- \$220.0M Contract
- \$56.0M Non-Contract

Represents active multi-year contract data as of 30 Sep 2007



Alongside Aircraft Refueling - FY07

LOCATION	PERFORMANCE PERIOD	AWARD AMOUNT	APPROXIMATE ANNUAL \$ VALUE
Brunswick, ME (Navy)	1 Jul 05 - 30 Jun 09	\$2,596,128	\$682,955
Camp Pendleton, CA (Marine Corps)	1 Oct 07 - 31 Dec 07	\$2,085,360	\$612,358
China Lake, CA (Navy) 1	1 Mar 03 - 28 Feb 07	\$3,487,728	\$871,932
Corpus Christi, TX (Navy)	1 Oct 07 - 31 Jan 08	\$5,575,632	\$1,549,626
Dallas/Ft Worth, TX (Navy)	1 Apr 07 - 31 Mar 11	\$4,176,000	\$1,044,000
El Centro, CA (Navy)	1 Jul 05 - 30 Jun 09	\$5,880,000	\$1,696,656
Fallon, NV (Navy) 1,3	1 Oct 06 - 30 Sep 11	\$10,776,637	\$1,696,000
Fort Hood, TX (Army) 1,3	1 Feb 07 - 31 Jan 12	\$7,786,080	\$796,728
Ft. Lewis, WA (Army)	1 Sep 03 - 31 Aug 07	\$2,041,392	\$510,348
Hunter AAF (Army)	1 Aug 05 - 31 Jul 10	\$7,427,901	\$1,591,713
Jacksonville, FL (Navy)	1 Dec 06 - 30 Nov 10	\$2,766,491	\$1,550,000
Key West, FL (Navy)	1 Oct 07 - 30 Sep 11	\$6,654,384	\$836,096
Kings Bay, GA (Navy)	1 Oct 04 - 30 Sep 08	\$815,771	\$238,920
Kingsville, TX (Navy)	1 Mar 04 - 29 Feb 08	\$4,150,159	\$957,012
Lakehurst, NJ (Navy)	1 Jun 05 - 31 May 09	\$788,880	\$202,220
Meridian, MS (Navy)	1 Apr 06 - 31 Mar 10	\$3,251,721	\$1,398,209
Moffett Field, CA (NASA)	1 Dec 03 - 30 Nov 08	\$4,021,636	\$1,980,612
North Island, CA (Navy)	1 Sep 04 - 31 Aug 08	\$9,944,130	\$2,227,954
Okinawa (Marine Corps)	1 Apr 02 - 31 Mar 06	\$1,318,655	\$321,864
Patuxent River, MD (Navy)	1 Dec 05 - 30 Nov 10	\$12,244,128	\$1,530,516
Pensacola, FL (Navy)	1 Mar 02 - 31 Dec 07	\$4,200,610	\$1,192,210
Souda Bay, Crete (Navy)	1 Jun 05 - 31 May 09	\$2,083,574	\$646,812
Ventura (Navy)	1 Apr 04 - 31 Mar 08	\$5,190,960	\$1,467,867
Whidbey Island, WA (Navy) 1	1 Jul 02 - 31 Dec 07	\$4,839,216	\$1,757,434
Whiting Field, FL (Navy) 2	1 Jan 02 - 30 Sep 07	\$3,756,637	\$1,021,939
Yuma, AZ (Marine Corps) 1	1 Feb 04 - 31 Jan 08	\$3,572,736	\$988,188

TOTAL NUMBER OF CONTRACTS: 26

TOTAL

\$121,432,545

\$29,370.169

Notes: (1) Includes Storage; (2) Extension; (3) One 5-Yr Option

Posts, Camps and Stations Contracts FY07

DOMESTIC (CONUS)

- 245 Contracts
- 1355 Activities Supported
- \$2.2B Contract Value
- 32.1M Barrels



OVERSEAS (OCONUS)

- 71 Contracts, 28 Countries
- 234 Activities Supported
- \$2.6B Contract Value
- 33.6M Barrels

Represents active multi-year contracts data as of 30 Sep 2007

DESC INSTALLATION ENERGY PROGRAMS

<u>TITLE</u>	<u>PAGE</u>
DESC Coal Program	53
DESC Natural Gas Program	54-55
DESC Electricity Program	56
DESC Renewable Energy Program.....	57

DESC Coal Program

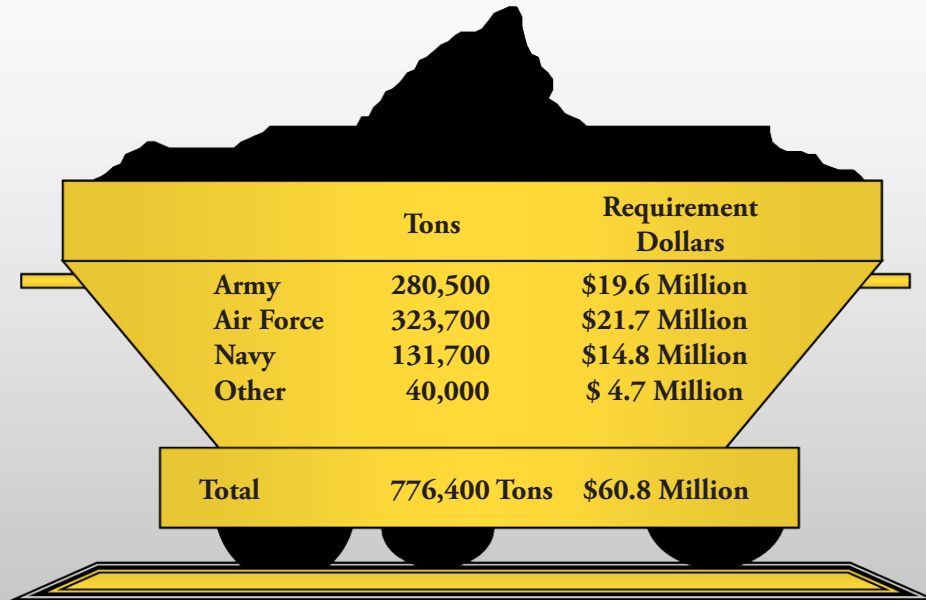
**Customers: 11 DoD
1 Fed Civ**

BITUMINOUS COAL:

Capitol Power Plant, Washington, D.C.
NAVFAC Washington, Indian Head, MD
Marine Corps Base, Camp LeJeune, NC
Marine Corps Air Station, Cherry Point, NC
Joint Systems Manufacturing Center, Lima, OH
Wright Patterson Air Force Base, OH
Rock Island Arsenal, IL
Red River Army Depot, Texarkana, TX
Malmstrom Air Force Base, MT

SUB-BITUMINOUS COAL:

Ft. Wainwright, AK
Eielson Air Force Base, AK
Clear Air Force Station, AK



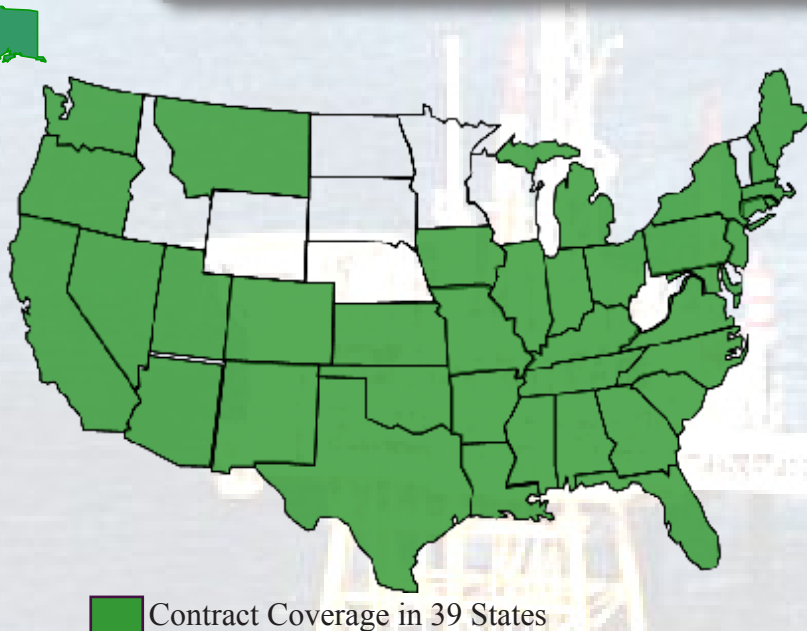
DOLLARS AND PERCENT OF TOTAL DOLLARS:

Large Business - \$1,414,900 / 2.4%
Small Business - \$56,299,515 / 92.6%
8(a) - \$3,064,500 / 5.0%
Total Dollars - \$60,778,915

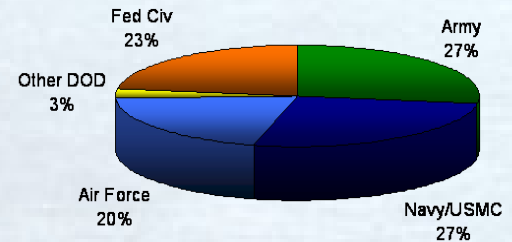
DESC Natural Gas Program



DESC is actively managing over 186M dekatherms of natural gas valued at over \$1.18B under multi-year contracts



DESC Customer Segmentation



DESC Natural Gas Program Summary

- 200+ DOD & Fed Civ Customers across U.S. (including Alaska)
- 50M Dekatherms delivered annually
- \$30M annually in cost savings (on avg)



DESC Natural Gas Program



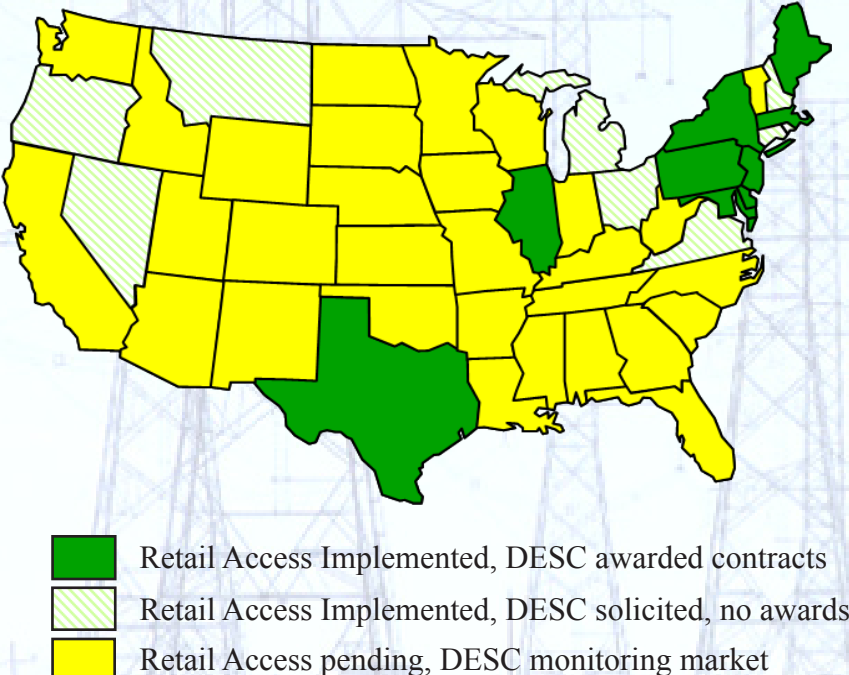
Service	Number of Customers	FY07 Dths Delivered (Million)	FY07 Expenditures* (Million)	FY07 Cost Avoidance** (Million)	FY91-07 Cost Avoidance (Million)
Army	50	14.4	\$111.4	\$14.6	\$165.5
Navy/MC	47	14.0	\$108.4	\$21.2	\$139.6
Air Force	36	10.5	\$70.5	\$10.0	\$102.1
Other DoD	15	1.5	\$12.7	\$3.0	\$20.7
Fed Civ	63	11.3	\$83.2	\$14.9	\$141.2
TOTAL	211	51.7	\$386.2	\$63.7	\$569.1

*Includes Commodity & Distribution Costs to the Burnertip

**Represents Cost Avoidance at DESC Indexed Contract Rates

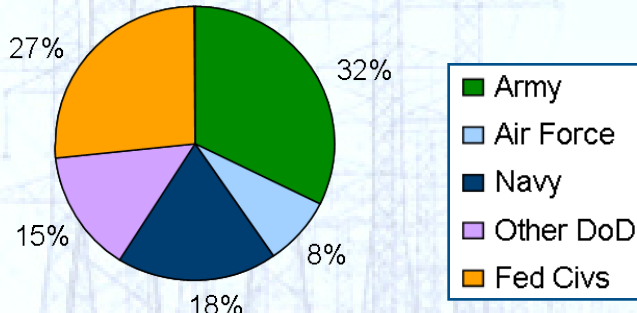
DESC Electricity Program

DESC is actively managing over 10.7M megawatt hours of electricity valued at over \$986M under multi-year contracts



DESC has experience in all states in which deregulation/restructuring has occurred and in which requirements have been received.

DESC Customer Segmentation



Source: Installation Energy Commodity Business Unit

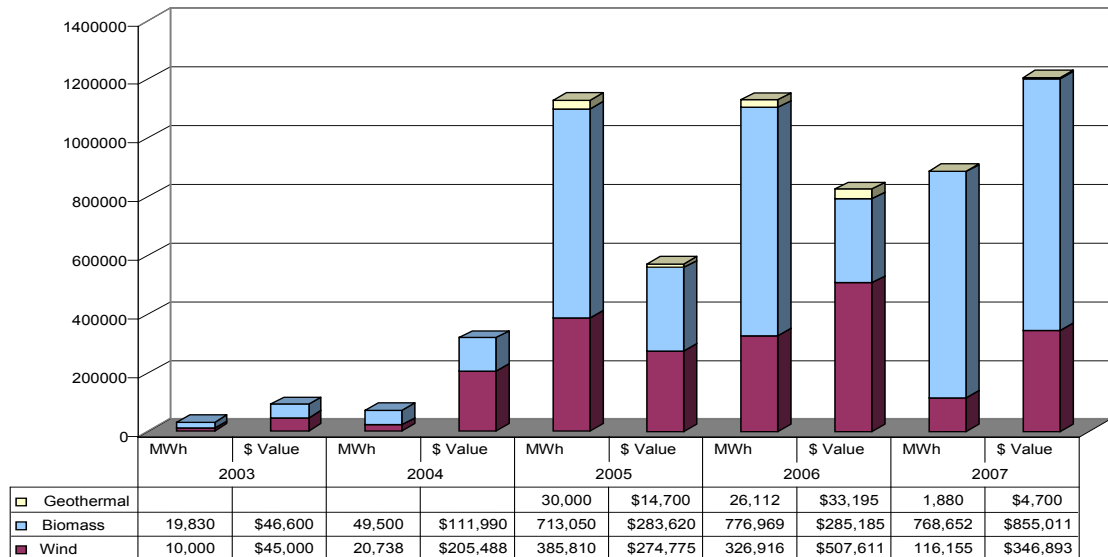
DESC Renewable Energy Program

Renewable Power: Any source of energy that is continually available or that can be renewed or replaced

Renewable Energy Certificates (RECs): A derivative product, the market value of which represents the value placed on the environmental benefits of the generation of electricity from specific types of renewable resources.



Summary of Renewable Power Purchases (2003-2007)



Energy Policy Act 2005 Renewable Energy Goals increase from 3% to 5% in FY 2010.

DESC CARD PROGRAMS

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U.S. Government AIR Card.....	58
DOD Fleet Card	59
SEA Card.....	60

U.S. Government AIR Card^(SM)

- Warfighter Benefits

- Supports intoplane refueling

- 500+ DESC contract locations
 - 7000+ total accepting locations



- FY07:

- \$457 million contract fuel, 247,283 transactions
 - \$107 million non-contract fuel, 54,149 transactions
 - \$1.9 billion in capitalized fuel transactions
 - \$37 million in aviation ground services
 - Non-contract cost avoidance \$15.3 million

Note: SM stands for service mark. It is the same as trademark, but for a service.

Source: Government Fuel Card Program Management Office



DOD Fleet Card

- Warfighter Benefits
 - Supports vehicle fuel/minor parts
 - Accepted at 200,000 locations
 - FY07:
 - \$46 million in fuel
 - 633K transactions
 - \$3 million direct tax rebates



SEA Card^(SM)

- Warfighter Benefits

- Supports ships' bunker refueling
- Not a “card” - a total order management system



- Secure internet-based SEA Card^(SM) Order Management System
- All DESC Bunkers contract information populated in the system
- Connects warfighter demand with supply

- FY07

- \$162 million in fuel orders
- 321 vessels enrolled



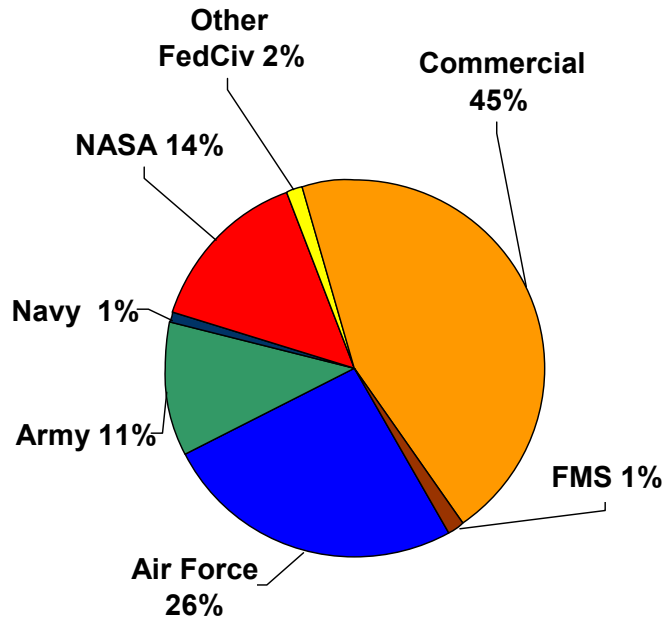
Note: SM stands for service mark. It is the same as trademark, but for a service.

Source: Government Fuel Card Program Management Office

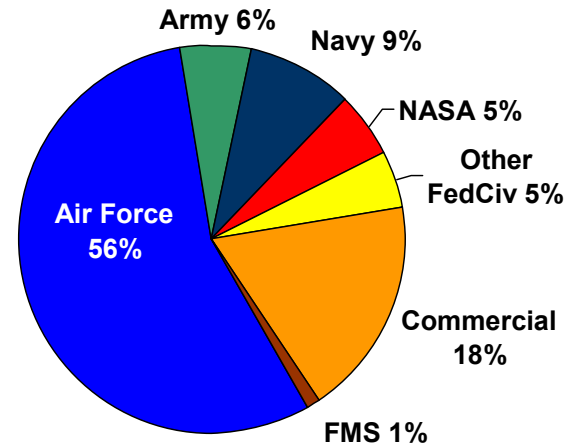
AEROSPACE ENERGY POSTURE

<u>TITLE</u>	<u>PAGE</u>
Aerospace Energy Customer Profile	61
Contracting Overview	62
Major Programs Supported	63-64
Hazardous Material Shipments.....	65
Solutions for Today's Energy Challenges.....	66

Aerospace Energy Customer Profile FY07



By Total Sales
\$42.5M



By Number of Customers
638

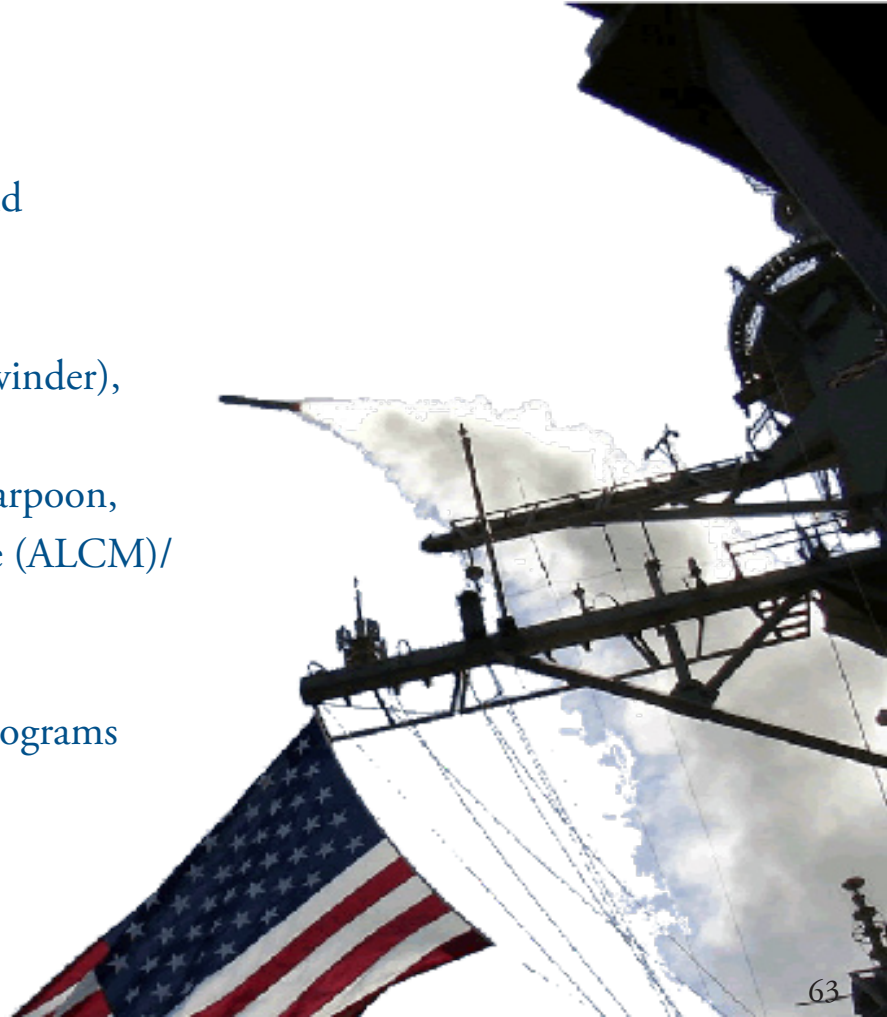
Contracting Overview

- 92 NSNs – 29 different products
 - 3 Product Classes – Liquid Propellants, Cryogens and Compressed Gases
- 127 Active contracts
 - 95% Requirements-type contracts
 - Normally Multi-year - 3 to 5 years
 - Both FOB Origin and Destination
- “Cradle to Grave” – Pre-award to contract closeout
- Every product supports a DOD major weapon system or DOD space application in some way



Major Programs Supported by the Aerospace Energy CBU

- USAF Delta and Atlas
- Evolved Expendable Launch Vehicle – Lockheed Martin Atlas V and Boeing Delta IV
- F-16 Emergency Power Unit
- F-15/F-16 Air Intercept Missile (Sidewinder), Air Defense Missile (Avenger)
- Cruise Missiles – Navy Tomahawk, Harpoon, & USAF Air-Launched Cruise Missile (ALCM)/Advanced Cruise Missile (ACM)
- Stinger Surface-to-Air Missiles
- Research and Development (R&D) Programs



Major Programs Supported by the Aerospace Energy CBU - cont'd

- Army THAAD (Terminal High Altitude Area Defense)
- DOD Aircraft Life Support & Maintenance
- USAF and Army Aerostat Programs
- Military and Commercial Satellites
- International Space Station
- Drug Enforcement Administration (DEA) Drug Interdiction
- DOD Laser Programs
- NASA Space Shuttle



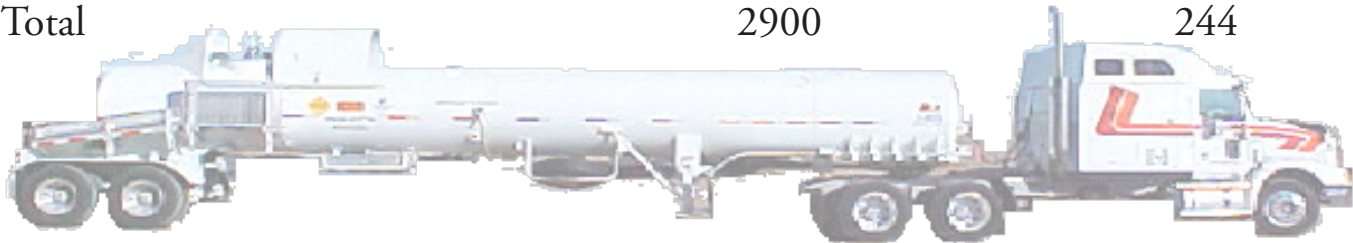
Hazardous Material Shipments

Product	Cylinders/Drums	Bulk
Helium	1641	121
Argon	788	
Hydrazine	219	50
JP-10/PF-1	70	30
Dinitrogen Tetroxide (N ₂ O ₄)	29	3
RP-1	3	40
Methanol-Water	150	

Total

2900

244



100% Delivery on-time without incident
Transportation Safety Is Priority #1

Source: Aerospace Energy Commodity Business Unit

Aerospace Energy Solutions for Today's Energy Challenges

Customer	Challenge	DESC Solutions
DOD Research & Development Laboratories (new product development)	New product research & development support	Ahead of the supply chain by staying engaged with labs; Involved with fuel development through full production and supply chain management
All Dinitrogen Tetroxide customers	Develop an acquisition strategy to create competition for product with historical industrial supply base of one	Utilized 20 year contracting authority, application of multiple economic price adjustment provisions, commercial sales clause to allow use of facility for non-space related business with credits back to the gov't, resulting in multiple potential sources
US Army OEF Aerostat Program (bulk helium)	Provide bulk helium to austere locations in support of warfighter in OEF	Designed & purchased unique High Pressure Cylinder Assembly (HPCA) for bulk helium support; Helicopter "Slingable" to austere Aerostat locations
All new launch vehicle customers	Additional Launch Support for new vehicles (Boeing Delta IV heavy lift; SpaceX – Falcon; Shuttle replacement – Orion)	Partnering with new launch programs; Adapting production of launch commodities

DESC’S “THE BEST OF”

TITLE PAGE

Highlights of FY 200767-78

Defense Energy Support Center

Highlights/Accomplishments for FY07

Throughout FY2007, the Defense Energy Support Center (DESC) continued its support by providing a broad range of energy solutions for the Warfighter, DOD and other government agencies. This was made possible by all the dedicated, and hardworking, individuals working in the various Commodity Business Units (CBU) and Offices located here in the United States, and abroad, in various regions of the world.

TWO DESC TEAMS WIN DAVID PACKARD AWARD: The Defense Energy Support Center's Operation Iraqi Freedom (OIF) Bulk Helium Support Team and the Government Fuel Card Program Team received the 2007 David Packard Excellence in Acquisition Award, at a ceremony November 7 from Deputy Undersecretary of Defense for Acquisition and Technology James I. Finley.

The award honors superior Department of Defense acquisition teams. It is named for the late David Packard, founder and chairman of the Hewlett-Packard Company and later, Deputy Secretary of Defense.

The Government Fuel Card Program Team was recognized for making the acquisition system more efficient, responsive and timely. The team demonstrated a consistent pattern of warfighter support, fiscal stewardship and proactive action.

The OIF Bulk Helium Support Team was honored for re-engineering the delivery of bulk helium to Iraq in support of two U.S. Army aerostat programs. The team established an efficient end-to-end supply chain and a responsive customer-support structure.

DLA RECOGNIZES OUTSTANDING EMPLOYEES: At the 40th Annual DLA Recognition Program, the outstanding Personnel of the Year Awards were presented to military and civilian employees who consistently exceeded the expectations of their positions. The following individuals were winners for FY2007: Maria NG, Linda Lorillard and Tia Ahmed. DLA also presented the DLA Leadership Awards to all five tiers of supervisors, acknowledging commitment to leadership and "outstanding performance

in the DLA leadership competencies." The following supervisors were presented awards: Tier 2 (supervisor less than two years) - William Cochran, DESC-Europe and Tier 4 (supervisor more than 10 years) - George Atwood, DESC.

HONOLULU FEDERAL EXECUTIVE BOARD: DESC Pacific won the Honolulu Federal Executive Board (FEB) awards in the following categories: DESC Pacific, Employer of Choice; DESC Alaska, Team Excellence; Lt Col Bruce Bartholomew (DESC Alaska), Federal Supervisor/Manager of the Year; Ms. Sheri Miyasato-Aribon (DESC MidPac), Federal Employee of the Year (Professional, Administrative, and Technical); Ms. Chin Son Kim (DESC Korea), Federal Employee of the Year (Clerical and Assistant); Mr. Walter Humko (DESC Japan), Exceptional Community Service; and Major Chris Boone (DESC Korea) Leader, Mentor and Coach of the Year.

DISTINGUISHED ACHIEVEMENT AWARD: DESC's Executive Agent Office (DESC-X) was recognized as one of the winners of 2007 Defense Standardization Program (DSP) Performance Award for their efforts and fuel equipment, training and laboratory operations standardization. This team standardized critical fuels equipment and consolidated fuels training for military services and theater combatant commands. The team published a joint performance specification for collapsible fuel tanks, assisted with revising Society of Automotive Engineers Aerospace Standard 5877, developed policy to reduce the number of different fuel filter elements, and merged lesson plans and consolidated fuels quality training. Members are Larry Woolverton, Shawn Simon, Richard Iwanski, James Eberhardt and William MacLaren.

OPERATION IRAQI FREEDOM (OIF): Last year over 533 million gallons of product were provided from Kuwait and Jordan in support of OIF. The inventory managers provide support to four DFSP in Kuwait and five in Iraq. Their oversight has enabled the region to highlight excessive losses

and deter incidents of theft. Last year Quality Assurance Representatives (QAR) were instrumental as they performed their quality assurance duties reducing the number of contractor vehicles being turned away at border crossings in Kuwait and Jordan by 12%. They achieved this by clarifying inspection procedures and by providing on-sight training for both military inspectors and contractors. QAR conducted 110 contractor oversight visits in Kuwait and 12 in Jordan. A total of 765 tank truck inspections were conducted in Kuwait; 250 in Jordan; and 175 in Iraq.

DESC-EU continued managing the Northern Ground Line of Communications (NGLOC) and, in the process, providing over 112 million gallons of fuel (JP8, Diesel, MOGAS, and AVGAS) to US Forces in northern Iraq. This task required managing more than 20,000 trucks and their drivers - if these trucks were put end to end, they would stretch from Amsterdam to Frankfurt, Germany. If they were stacked vertically, they would be equivalent to 202 Eiffel Towers or 361 Washington Monuments.

OPERATION ENDURING FREEDOM (OEF): The Afghan theater provides a myriad of challenges to U.S./Coalition forces. The terrain is mountainous with inadequate road network. Harsh weather in the winter months along with insurgent activity compound the already difficult infrastructure, yet DESC-ME without fail, provides comprehensive fuel support to the U.S./Coalition forces.

Last year over 139 million gallons of product were provided in support of OEF. JP8 and ground fuels are provided from Pakistan refineries and delivered to Bagram airbase and to Kandahar airbase until NATO/ISAF assumed the KAB operations responsibility in July. Russian grade aviation fuel is supplied from the north out of Central Asia. The strategic DFSP in Kabul was expanded to store DF besides the JP8 already stored in it, providing another source of petroleum for commanders. The operations cell works with the inventory manager and ensures the proper amount of fuel is ordered from contractors to keep bases stocked and operational.

QAR provided quality assurance and support throughout Pakistan and Afghanistan during the past year. There were 2 contractor oversight visits conducted in Pakistan and 2 in Afghanistan. 5,448 tank truck inspections were conducted in Pakistan ensuring that the product received is on-spec and the proper procedures are being followed. These inspections have

assisted the warfighters to perform their missions.

DESC Pacific continues to be vital in supporting OPERATION ENDURING FREEDOM (OEF) and OEF-Philippines from en route and staging locations such as Diego Garcia, Guam and Hawaii. During the past year, DESC issued over 955 million gallons of petroleum products and 503 thousand tons of coal to customers in the Pacific AOR.

EXPEDITED SUPPLY OF METHANOL/WATER FOR THE WARFIGHTER: When the US Special Operations Command was tasked to run reconnaissance missions in Iraq utilizing the RC-26 aircraft, they turned to DESC Aerospace Energy CBU to support them with a specialized methanol/water fuel mixture. The requirements were received in April 2007 and Aerospace Energy was able to develop a CONOPS, award a contract, and deliver product to the FOB within 3 months – in time to support the mission. The methanol/water is used in the Continuous Alcohol Water Injection (CAWI) system of the aircraft to provide thrust augmentation for quicker take-offs or emergency maneuvers. DESC Aerospace Energy was initially requested by USSOCOM to take on this mission as we provide bulk methanol to customers in CONUS.

SUPPORT FOR GERMANY PC&S PROGRAM: The Germany Post Camps and Stations (PC&S) historically have been supported by competitively awarded contracts and reliable contract performance. The Germany PC&S program supports over 100 Military and Civilian locations throughout Germany. The overall estimated contract dollar value of the Germany program is approximately \$41.7 million dollars. During Fiscal year 2007, Direct Delivery Fuels (DDF) was notified that one of the long time German contractors under the program could no longer conduct business and perform the DESC contract. Working closely with our DESC-Europe Regional Office, the DDF Fuels contracting team terminated all 71 line items under the contract and took immediate action to maintain fuel deliveries to affected customers by executing 50 emergency spot buy contracts during the month of August. DDF also issued a solicitation on August 2, 2007 to solicit long term contract coverage for the 71 line items and completed contract awards within 30 days on August 30, 2007.

DESC SUPPORTS FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) AND EXTENDS ENTERPRISE THROUGH INTEGRATED SUPPORT WITH FEMA REGION IV:

In 2007 DESC continued to be postured to satisfy ground fuels requirements during national declared emergencies in support of Department of Homeland Security/FEMA. DESC Americas actively engaged FEMA Region IV, which is the most hurricane prone FEMA Region with eight coastal states that touch the Gulf of Mexico and/or the Atlantic Ocean. In promoting readiness, DESC Americas participated in multiple tabletop exercises with DESC HQs and FEMA HQs, and attended FEMA regional meetings to clarify DESC's role in fuel support during disasters.

SUPPORTING OPERATIONS IN KOREA: DESC Korea provided continuous monitoring and oversight of over 120 million gallons of DESC inventory, maintained at 28 locations valued in excess of \$268 million. We supported United States Forces Korea (USFK) by directing movement of over 111 million gallons of bulk fuel by rail, tank truck and over 41 million gallons of JP8 were moved via pipeline. Negotiated and resolved a ten-year stalemate with the Republic of Korea (ROK) Government over fuel storage at Gimhae Air Base. As a result, DESC Korea gained an additional 840,000 gallon storage facility. DESC-Korea coordinated fuel support for the first use of the Republic of Korea (ROK) and US mutual airlift agreement in 26 years for US Transportation Command (TRANSCOM). Facilitated the capitalization of the Chinhae Naval Activity Gas Station fuel support and coordinated a long term direct delivery contract for US Marine forces operating from Camp Mujuk, in Pohang; reconciled all issues and receipts under the Replacement-In-Kind and the Fuels Exchange Agreement programs and recouped \$20,149,560; resolved decade old billing issues between eight US Army and the ROK Navy valued at over \$115,000.

Planned for critical wartime petroleum distribution by securing transportation capabilities for over 1700 pre-planned vital contingency bulk fuel movements under the Wartime Movement Program. Received permission through Wartime Host Nation Support (WHNS) channels to conduct site surveys of ROK commercial fuel barges resulting in a ROK Navy decision to activate a shallow draft fuel barge package capable by 2009 of delivering JP8 over the shore in support of contingency requirements.

Conducted WHNS Site Surveys of commercial storage and distribution capabilities validating 88 million gallons of storage and over 15 million gallons of reserve fuel for USFK. Created a new 2007 Web Based Korea Petroleum Smart Book, a comprehensive source of information related to POL capabilities and infrastructure residing on the SIPRnet (worldwide access) and RIPRnet (ROK-US) servers. The DESC Korea team assured the quantity and quality of 12 pipeline shipments worth over \$168,000,000 and the bulk fuel tanker and barge loading of over \$587,000,000 of bulk fuel. The team proofed the new and improved version of the South North Pipeline shipment procedures. They established the highly successful start up of the Praxair-Korea gasses contract which began delivering Liquid Nitrogen and Liquid Oxygen to Kunsan and Osan Air Force Base in February 2007.

SUPPORT TO JAPAN: During FY07, the DESC Japan team ensured over 461 million gallons of on time and specification fuel shipments via rail, pipeline, coastal barge, ocean tanker and tank trucks to 108 customer locations. This year, DESC-Japan bid farewell to the trusty MV Montauk and began a new relationship with the MV Transpacific. Several modifications were required to make the vessel ready to support off-loading operations in Okinawa, but she successfully offloaded 36,000 barrels of F-76 at the terminal's 3-legged mooring system in January 2007, and is now fully functional for DESC-Japan's diverse petroleum mission. Also on Okinawa, the 505th Quartermaster Battalion completed the conversion of two JP-8 tanks and associated pipeline distribution system to unleaded gasoline service to support of all of the island's DOD customers. This effort was necessary after the island's sole refinery and prime PC&S vendor informed DESC of a pending sale of their refinery and imminent end to local contract support. When the current contract ends, DFSP Okinawa will pick up the mission with no interruption in support to the customer. At DFSP Iroizaki, Tank I-4, the largest tank in the DOD inventory with a total storage capacity of 420,000 barrels, was brought back into service after a lengthy cleaning and maintenance period, greatly improving our storage capability in the region. In support of Aerospace Fuels' efforts to extend the enterprise, DESC-Japan assisted with the contract award procedures and follow-up quality assurance inspections for six cryogenics contracts worth \$4.6 million. Finally, looking ahead to the future, DESC-Japan initiated

an analysis of key rail infrastructure at DFSP Tsurumi and DFSP Yokota as the first steps to replace an aging fleet of leased 35-ton rail tank cars with a newer, cost efficient model.

INTERNATIONAL AGREEMENTS SUPPORT: DESC-EU hosted two fuel exchange agreement summits that included NATO foreign government marine and aviation fuel customers. Participation included current agreement partners (UK, Turkey, Italy and Greece) as well as military petroleum representatives from Canada, Estonia, France, Germany, Netherlands, Norway, Poland, Portugal, Romania, Slovenia and Spain. The focus of these summits was on standardizing mutual fuel support across NATO and other non-NATO countries. This team effort included DESC-EU, DESC International Agreements (DESC-FGI), and the member countries seeking to standardize strategic business relationships between the parties. The effort was instrumental in recouping over \$59M into the DESC Defense Working Capital Fund.

DESC Japan's new International Agreements section aggressively negotiated with the Japanese Self Defense Forces to reconcile over \$7 million in past due payments. In addition, DESC-Japan supported United States Forces Japan in negotiations with the Japanese Military on unique fuel reimbursement procedures for a new bilateral aviation training relocation mission in support of alliance transformation initiatives within Japan.

DESC TURKEY AUTOMATED FUELING PROGRAM: During the summer of 2006 in an effort to update tax exemption protocols, the Turkish Ministry of Foreign Affairs (MFA) mandated the discontinuation of paper coupons used in subsidizing expensive fuel prices for U.S. Government personnel stationed in Turkey. In response to this mandate, DESC Direct Delivery Fuels (DDF) team began re-defining the program requirements for the Turkey Paper Coupons Program. Specifically, the Turkish MFA wanted DESC to ensure the new program yielded a consistent electronic accountability trail. Named the DESC Turkey Automated Fueling Program, in January 2007 DDF awarded the first contract of its kind under this new program title. Program participation requires eligible U.S personnel to establish an AAFES credit card account number that is truncated and linked to the awarded Contractor's pre-existing commercial customer retail-pump

billing infrastructure. The Contractor's data is fed in real time to the Army & Air Force Exchange Service (AAFES) credit card billing infrastructure designed to gather fueling data and bill the customer on a monthly basis. Fueling itself is done in conjunction with a wireless electronic fueling device ("fuel ring") that is mounted around the vehicle gas tank opening. In using available technology, the evolution of this program has enabled all parties to gather and maintain more accurate program information and ultimately provide for increased quality of welfare and morale for those individuals stationed in Turkey.

SUPPORT TO HAWAII (MIDDLE PACIFIC): 2007 was an eventful year for DESC-MidPac support to the war fighter in the largest theater of operations. From supporting multiple exercises and contingencies/humanitarian missions to daily operations, DESC-MidPac worked together with their partners to provide unparalleled energy support. In the past year DESC MidPac started up the Power Track system for ordering fuel and vender payments for trucking fuel to DFSPs in Oahu, Hawaii. An alternative fuels initiative was placed in motion to bring bio diesel and E85 to DOD customers on Oahu.

Market research and requirements have been investigated and the ground work completed for facilities modifications to support these alternative fuels. The PACOM Joint Petroleum Office hosted a War Fighters Conference in February 2007 at Pearl Harbor, Hawaii that resulted in DESC funding a survey of the cross-country pipeline on Guam and planning a way forward for fuel infrastructure support for Guam DFSPs. This study and the resulting proposed 60 million dollar plus MILCON to upgrade and build a new pipeline on Guam are examples of DESC supporting and planning for the future fuel needs of the War Fighter.

SUPPORT TO ALASKA: During 2007, two DESC-ALASKA major military construction projects were completed and accepted by the Air Force in Alaska which significantly improved the support to strategic airlift requirements for exercises and contingencies. Following the repairs of all contractor deficiencies, the Phase I & II Type III hydrant systems at Elmendorf AFB were accepted by the Air Force. The project added an additional 26 hydrants for heavy cargo aircraft. Also, Eielson AFB commissioned the

new C-17 ramp with a new Type III hydrant system which added 16 new pits. DESC also awarded a \$3.91 billion, 50-year contract for privatization of utility systems at U.S. Army-Alaska installations at Forts Richardson, Wainwright and Greeley. Doyon Utilities, LLC, will provide distribution of electrical power, natural gas and potable water and will provide wastewater collection. This is DESC's largest utility privatization contract awarded to date.

JOINT TASK FORCE-HORN OF AFRICA (HOA): With the US Navy now responsible for this region, we are receiving increased requests for our support capabilities. Ground delivery options for HOA support continues to be challenging due to geographical considerations. Providing the Navy with the ability to safely refuel ships operating in the Red Sea and the Gulf of Aden. There are into-plane contracts in Djibouti, Addis Ababa, Mombasa, Nairobi, Seychelles. QAR made 7 contractor oversight and customer visits during the past year in Djibouti.

PACIFIC EXERCISE SUPPORT: During the U.S Pacific Command's VALIANT SHIELD exercise DESC provided over 24 million gallons of F76, 4 million gallons of JP-5 and 3.5 million gallons of JP-8. DESC Korea executed bulk fuel support exceeding over 70 million gallons per exercise in support of Ulchi Focus 2007 and Reception Staging Onward Movement and Integration 2007 Command Post Exercises. During these exercises, DESC Korea incorporated the exercise tanker slate into the Global Exercise Scenario (GSE) Single Mobility System of the Global Command and Control System program used by USTRANSCOM to maintain in-transit asset visibility of bulk fuel cargo.

CONUS EXERCISE SUPPORT: Quartermaster Liquid Logistics Exercise (QLLEX) is the largest Army Fuel Movement exercise in the world. DESC Americas supported the planning and provided all fuel moved during the training exercise. QLLEX 07 was conducted 9-22 Jun 07 and provided training for over 2,600 soldiers, utilizing 241 military tank trucks, 7 DFSPs in support of 33 customers. Over 3 million gallons of JP-8 moved during the exercise, which was a fifty-percent increase in fuel moved compared to QLLEX 06.

Red Flag aerial exercises at Nellis AFB, NV are designed to replicate the

first ten days of a major conflict. DESC Americas supported three Red Flag Exercises in 2007. This year marked the first year the F-22/A Raptor participated in the exercises. Each exercise involves more than 200 aircraft, and about 5,200 military personnel from the United States, United Kingdom and Australia that take part in the training. DESC Americas supplied Nellis AFB, NV with over 10 million gallons of JP-8 through the CalNev Kinder Morgan pipeline system to support this year's exercises.

DESC PROVIDES FUEL SUPPORT UNDER THE COLOMBIA PC&S PROGRAM: Obtaining vendor support under the Colombia PC&S Program historically has been very difficult to achieve, as 90% of the delivery locations are in remote areas often only accessible via air (helicopters and airplane) and unrest in the country (political/guerilla activity) severely inhibits contractors' ability to deliver to these locations. When Direct Delivery Fuels (DDF) initially started procuring fuel for this program, there was only one vendor willing to submit an offer, which would have negatively impacted the warfighter had DESC not awarded a contract for support. Since the inaugural buy for the Colombia PC&S Program, DDF has continued to work to secure support for this program. In the early part of 2006, discussions were held in country with several contractors indicating an interest in supporting the program. As a result DDF identified three (3) new sources of supply and subsequently held the first ever post-award conference for the program in November 2006.

In addition to DDF's direct involvement with the suppliers, DDF continues to maintain a robust working relationship with U.S. Southern Command (SOUTHCOM), the Army Petroleum Center, Air Force Headquarters ACC (Langley, Virginia), and the U.S. MILGroup in Bogota', as each had a vested interest in insuring the overall success of the Colombia PC&S Program. Through teleconferences with customers and Service Control Points, DDF accurately identified the requirements for the program, in order to accurately depict the program the supply chain requirements for DESC's customers in Colombia. The contracting team continues to work to identify potential sources of supply for the Colombia PC&S Program, as the volatility of delivery conditions in the region dictates continual monitoring of events there.

HELPING IMPROVE SOUTHERN COMMAND'S (SOUTHCOM)

FOL MANTA, ECUADOR: DESC Americas and DESC-P, in coordination with the Joint Interagency Task Force-South J4 and SOUTHCOM, have improved warfighter support at Forward Operating Location (FOL) Manta, Ecuador in 2007. Manta is one of four FOLs in the SOUTHCOM AOR for counter-narcotics surveillance and interdiction operations. In mid-2005 operations at FOL Manta increased dramatically creating sporadic fuel shortfalls and constraining missions. DESC leveraged a business partner (ExxonMobil) relationship to improve support to customer at FOL Manta. ExxonMobil leased and refurbishing storage owned by the Ecuadorian Air Force on FOL Manta in addition to establishing an independent supply chain, importing fuel through the port of Guayaquil, Ecuador. As a result of the proactive actions, fuel is no longer a constraining factor for the air base that now issues over 800,000 gallons of Jet-A1 per month.

PROPELLANT SUPPORT FOR LAUNCHES: DESC Aerospace Energy supported fifteen government and US commercial launches with propellant and pressurants during fiscal year 2007. Launches included three shuttles, eight Delta II rockets, two Atlas V rockets, one Delta IV rocket, and one Falcon I rocket. Aerospace Energy supports launches with propellants such as hydrazine, dinitrogen tetroxide and RP-1 rocket propellant. Ground support pressurants provided by Aerospace Energy include gaseous helium, gaseous and liquid nitrogen. NASA vehicles and satellites lofted by these vehicles included the Dawn spacecraft to visit asteroids, Phoenix Mars lander, shuttle missions to the International Space Station and the Time History of Events and Macroscale Interactions during Substorm (THEMIS) to study the Earth's magnetosphere. DOD payloads included classified payloads for National Reconnaissance Office and Air Force payloads for demonstration flight, Air Force Orbital Express in-space refueling demonstration mission, and Defense Meteorological Satellite Program. One launch supported an international payload for the first Italian COSMO-SkyMed radar Earth-imaging satellite.

AVIATION SYNTHETIC FUEL PROCUREMENT: In response to the Energy Policy Act of 2005 and the President's instruction to reduce dependence on foreign oil, the services requested DESC conduct a market survey to determine interest in producing synthetic fuel (synfuels), a

product produced by blending 50 percent crude oil and 50 percent various feed stocks (i.e., coal, natural gas, syngas, biomass, etc.).

In April 2006, the Air Force sought the Defense Energy Support Center's (DESC) assistance and expertise to procure Fischer-Tropsch (F-T) processed synthetic aviation fuel (synfuel). This purchase supports the Air Force synthetic fuel initiative and its program to test, evaluate, and certify aircraft using a 50/50 synthetic fuel blend.

In 2007 DESC published a Request for Information and briefed senior Department of Defense and Department of Energy leaders. On 1 March 2007, DESC issued solicitation SP0600-07-R-0701 for 215,000 gallons (the quantity was later increased to 315,000 gallons) of Fischer-Tropsch ISO-Paraffinic Kerosene (FT-IPK). With two companies responding to the solicitation, DESC-BC opened negotiations on 25 April 2007 and subsequently awarded contract SP0600-07-D-0486 to Shell Oil Products on 6 June 2007 (the award price was \$3.41/gallon.) The product was delivered by Shell, with DESC-Americas assistance, to Odjfell Terminal a specialty product terminal located in Seabrook, TX and then distributed to test sites at: McChord AFB, WA; Edwards AFB, CA; Wright-Patterson AFB, OH; Southwest Research Institute, TX; and Arnold AFB, TN. Deliveries were complete by 30 September 2007. This initiative ensured the effort to fulfill the President's instructions remained on track.

Since the start of DOD's synfuel program, DESC has issued two Requests for Information (RFI). The first RFI, issued in May 2006, informed industry of the Air Force test program and sought to identify potential sources with large scale F-T synfuel production capabilities. The purpose of the second RFI, issued in September 2007, was to determine if potential domestic sources of FT-IPK specification synfuel would require long-term contracts; and to identify specific terms and conditions suppliers required to enter contracts. Results of the first RFI revealed that suppliers require incentives to invest in synfuel production plants, as start-up costs are estimated to range between \$25 million to \$9 billion. Incentives desired by respondents of the first RFI include: 1) long-term (15-25 years) contracts; 2) Federal and State incentives; 3) accelerated cost recovery; 4) loan guarantees; 5) tax credits; and 6) floor price mechanism.

The second RFI results also indicated that long-term contracts, ranging from 10-30 years, are required; however, eight of the nine respondents indicated that they would enter a 5-year contract with conditions, including higher prices. All nine companies specified they are capable of blending up to 50% FT synfuel with conventional fuel. Eight of nine indicate they are capable of providing additized or blended F-T synfuel.

Industry responses to both RFIs indicate that longer term contracts are necessary to ensure adequate competition and to create conditions allowing companies to enter the F-T synfuel market. DESC concludes that longer-term contracts will create conditions more favorable for Government synfuel contracts. However, congressional support is necessary to change acquisition laws allowing for specific synfuel production incentives, such as long-term (15-25 years) contracts. The maximum period under current contract legislation is “5-years” with options for 5 additional years.

RENEWABLE ENERGY: FY 2007 remained an active year for the DESC Electricity Team in the Renewable Energy Certificates (RECs) market. A REC represents the unique attribute of renewable energy generation that can be sold separately from the commodity. RECs provide an affordable way for federal installations to meet the Executive Order 13423 and Energy Policy Act goals. These renewable power purchases encourage the growth of local renewable energy, support the development of green power markets and reduce greenhouse gas emissions. With the end of FY07 fast approaching and the need for the 3% consumption goal to be met, DESC increased its customer base to include various DOD Installations, Environmental Protection Agency facilities, Internal Revenue Service offices, Departments of Homeland Security, Commerce, Health and Human Services, Interior, Energy, Veterans Affairs, National Aeronautical Space Administration and Bureau of Prisons. In FY07, DESC awarded over 887M kWh of wind, biomass and geothermal RECs for customers located throughout the continental United States with a dollar value of \$1.2M.

SUPPORTING OPERATIONS IN/AROUND THE MEDITERRANEAN: DESC-Mediterranean (DESC-EU-MED) provided 340 million gallons of fuel to seven strategic sites located in Portugal, Spain, Italy, and Greece. DESC-EU-MED quickly created and swiftly implemented the first European Union-acceptable customs tanker policy for inter-EU transfers in

the Mediterranean region. The customs policy eliminated 11 of 14 logistical preparation steps in the customs process. Following the implementation of the policy, the team initiated the process and paperwork to appoint DESC-Europe quality assurance representatives as U.S. customs officials to further simplify the process. The combined effort resulted in DESC-EU-MED becoming self-sufficient and capable of completing all customs paperwork requirements without relying on outside agencies to assist on scheduled and short notice fuel tanker deliveries.

SUPPORTING DEFENSE LOGISTICS AGENCY (DLA) EUROPEAN TRANSFORMATION EFFORTS: In alignment with the vision of the Director of DLA and as stewarded by the Director of DESC, DESC-EU is in the midst of rebasing its nucleus, reducing the footprint of personnel across Europe and within Wiesbaden, and further extending our team throughout the AO. Recent successes include the following: (1) Placement of operations officers in Heidelberg to support U.S. Army Europe (USAREUR) and Naples to support Naval Forces Europe (NAVEUR), to complement our existing Ramstein officer supporting U.S. Air Force Europe (USAFE). (2) Agreement to forward locate DLA Enterprise Support (DES) Engineers in Heidelberg, Stuttgart, and Naples. This allows DESC-Europe (DESC-EU) to continue building on successes as it focuses on providing effective, efficient, and innovative energy solutions to warfighting customers.

FUEL CARD PROGRAM: The AIR Card(SM) program reached a significant milestone, celebrating its’ 10-year anniversary. Continuous improvement efforts paid significant warfighter benefits. The PMO used the leverage of the AIR Card(SM) contractor to obtain over \$15 million in savings from posted airport price when a DESC intoplane contract was not available. This dollar amount reflected an all-time high for the program. Additionally, strategic sourcing efforts were established to assist the Services in maximizing the quality and cost benefits of using DESC intoplane contracts vs. lifting non-contract fuel. The SEA Card(SM) continued its’ track record of success, enrolling over 300 ships into the program, and flawlessly processing over \$160 million in sales and slashing incurred demurrage/backhaul charges when compared to “paper” orders. Significant progress was also made in developing “open market” functionality that could

be used if a vessel was going into a port that did not have an existing DESC bunkers contract that could be used. The DOD Fleet Card developed Computer Based Training for Accountable Officials and began efforts for the next DOD Fleet Card Task Order that will be awarded in FY08, a significant program event. Quarterly newsletters targeted to Accountable Officials were started for all 3 programs, and Trademarks for both AIR/SEA Cards have been applied for. All-in-all, a very active year for the PMO.

DESC SUPPORTS THE ECONOMIC CORE: In accordance with the Small Business Act, it is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns. In order to facilitate the participation of small businesses in federal contracting, the Small Business Specialist (hereinafter referred to as a SBS) was created. The SBS's primary function is to be the bridge that connects the small business community to the federal contracting community. The SBS utilizes several means of Outreach (counseling, conferences, focus events, and roundtable discussions) to engage, educate, and empower the small business community. Counseling and roundtable discussions are designed to provide the small business with technical advice regarding the federal contracting process, information on the agency, and a platform to be heard. The Defense Energy Support Center (DESC) has held over 20 counseling and roundtable discussions for every category of small businesses. These efforts have assisted tremendously in increasing the industrial base to support DESC's mission. Additionally, it provided the small business community with the necessary resources to compete for opportunities in DESC. DESC's Small Business Office will continue to assist in weaving the country's economic fabric; thereby practicing due diligence in seeking small businesses.

DESC SMALL BUSINESS CONFERENCES: In conjunction with the port of Corpus Christi and the city of Baton Rouge, DESC hosted two small business conferences this year. One event was held in June 2007 at Corpus Christi, TX, and the other in December 2007 at Baton Rouge, LA. The participants included small and large businesses. Representatives from various CBUs gave presentations on their perspective commodities

and unique requirements. Breakout sessions were held to answer questions, develop partnerships, and to network with other vendors and government officials. These conferences were successful and paved the way for future events. The next small business conference will be held in Chicago June 2008.

AIR FORCE HEADQUARTERS ACC (HQ ACC) HEMISPHERIC RADAR PROGRAM SUPPORT: In June 2007, a request was made of Direct Delivery Fuels contracting team to accompany members of HQ ACC during their random site visits to Marandua, Tres Esquinas, Riohacha, San Andreas Island, and San Jose' De Guaviave, all DESC supported radar sites that provide critical data on activity in the region to JIATF South. Each location has been contractor operated since their inception. DESC was asked to assess the impact of providing future contract support to these locations. Each site had been identified to be turned over to the Colombian Military, with fuel support remaining under the control of HQ ACC for an undetermined period after the transition was complete. After visiting the sites and subsequently meeting with personnel impacted by the transition, The DDF team addressed the concerns of the customer to their satisfaction, assessed the impacts of the transition on present and future energy requirements at each site, and subsequently advised the customer of DESC's ability to continue supporting fuel requirements for the Hemispheric Radar Program in Colombia. DESC's commitment to the program was subsequently acknowledged by the customer, as noted below:

"The ACC Acquisition Management and Integration Center (AMIC) continues to enjoy the support provided by DESC for the fuel provided to keep our ground based radars operating on the HRS program in Colombia. DESC's recent trip provided a much needed review of the processes and procedures of the contract for both the Government and Colombian contractors. It is through these types of efforts that we have gained the most "bang" for our bucks, as the customer". "DESC's contracted fuel trucks delivered this valuable resource to San Andreas, Riohacha, and San Jose De Guaviave, while fuel was flown by air to the most remote locations Marandua and Tres Esquinas. This versatile and necessary approach to fuel management has been and continues to be very beneficial to the AMIC, providing a continuous flow of fuel to the sites at a \$400K saving to the AMIC

between 2005 and 2007. We look forward to our continued partnership on this program". Albert L. Lambert, Sr., Chief Logistics Division HQ ACC Acquisition Management & Integration Center.

As with any business venture, partnering is often a common denominator to ensure the success of an enterprise such as DESC and its customer base.

DESC continues to demonstrate a high level of commitment to partnering with industry, which allows the needs of DESC's customers to be met, while promoting competition amongst its programs to the greatest extent possible. It is this level of commitment that not only will maintain "fair opportunity" for all interested in learning more about DESC's business model(s), but will sustain the integrity of the competitive nature of DESC's procurements, the suppliers who support them, and the customers who have come to rely upon them to meet their mission.

AVIATOR'S BREATHING OXYGEN (ABO)/LIQUID NITROGEN (LIN):

The Defense Energy Support Center's Aerospace Energy Commodity Business Unit (DESC-M) became the DoD Integrated Material Manager (IMM) for bulk ABO and LIN on October 1, 2006. As the IMM, DESC-M partnered with the Air Force Petroleum Agency and the Naval Operational Logistics Support Center to develop an acquisition strategy that would improve the ABO/LIN support for the Navy, Marine Corps and Air Force primarily by expanding the existing Program to OCONUS locations. For FY07, DESC-M awarded 16 requirements-type contracts to provide ABO and LIN for four CONUS Air Force Bases, 17 OCONUS Air Bases, six CONUS Navy and three OCONUS Navy/Marine Corps Air Stations. The program offerings included production and delivery of ABO for various aircraft aircrew life support systems, as well as the production and delivery of LIN used for aircraft tires, struts and fuel tank fire suppression systems.

SPECIALIZED HELIUM CONTAINER SUPPORT FOR WARFIGHTER:

DESC Aerospace Energy helium team designed and constructed special High Pressure Cylinder Assemblies (HPCA) for helium delivery in support of Operation Enduring Freedom. The HPCAs were constructed to be transported by helicopter sling to support troops in austere locations in a compressed time schedule to deploy the Army's Persistent Threat Detection System. The helium team procured light-weight, high pressure compressed gas cylinders and manifolds to be placed in the HPCA

frame assemblies by a near theater manufacturer for the most expeditious delivery of helium to the warfighter.

ELECTRICITY: April 2007 marked a culmination of efforts as the DESC Electricity Team awarded its first ever overseas electricity contract on behalf of Navy Installations in the Sicily, Sardinia and Campania regions of Italy. Awards were made to two companies, ENEL Energia and Energia y Territorio, and were valued at over \$10.6M for an estimated 108K kWh. The award took less than 5 months to complete after receipt of the requirements and wouldn't have been possible without the stellar support of the DESC Policy, Legal, Facilities and Europe offices. This achievement sets the foundation to expand Installations Energy's movements into other areas of the European Union for electricity, natural gas and renewables. Through DESC's efforts, the US Navy saving over \$700K in the first 7 months of the electricity contract (Savings Basis: Previous USN electricity contract and rate structure).

Since the inception of the Electricity Program, DESC has been active in all states in which competitive electricity acquisition is permitted, and for which we have received requirements. During FY07 DESC issued solicitations for Maine, Rhode Island, Texas, Pennsylvania, Massachusetts, New Jersey, Maryland, Illinois, and the District of Columbia. The Electricity Team currently has contracts in place for competitive power in DC, MD, TX, IL, NJ, MA, ME, VA, PA and NY. The DESC Electricity Team continues to work closely with our customers and with industry to evaluate and refine the way we conduct business so as to provide maximum support for our customers and to conduct business that closely mirrors commercial industry practice. In FY07, the DESC Electricity Team awarded contracts worth \$442M for an estimated 5B kWh.

COAL: During FY07 the DESC Coal Team achieved a 5% decrease in the average delivered price for installations in the lower 48 over the FY06 contract awards. Although fuel costs continued to rise, there was a drop in product cost which resulted in the overall total decrease. All contracts awarded were for a firm-fixed, delivered cost, for all the coal customers through their performance periods. A total of 97.6% of the awards were awarded to small business companies. Competition did increase slightly,

which is an improvement over previous years. We were also successful in securing another five year, firm-fixed delivered price contract for the coal burning installations in Alaska; Usibelli Coal Mine Coal was also awarded a five-year, \$138 million contract to provide 2.4 million tons of coal to Eielson Air Force Base, Clear Air Station and Fort Wainwright. Negotiated prices resulted in only a 14% increase over the previous fixed-price 2002 award.

NATURAL GAS: With contract performance steadily underway in FY07 and current contracts not set to expire until Sept 08, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) focused on improvement areas. In FY 07, the Natural Gas Team envisioned a more commercial method of soliciting its requirements. The Natural Gas Team implemented a process review of current solicitation practices and deduced there were several ways to improve on an already successful process. The DESC Natural Gas Team initiated several roundtables with customers, suppliers and other industry players to formulate a plan to incorporate additional commercially acceptable standards. These events lead to the issuance of the largest natural gas solicitation to date, not to mention fostering relationships that will benefit DESC and our customers.

DESC PROJECT MANAGEMENT OFFICE (PMO) FIRST YEAR: FY2007 was the cornerstone year for the new Sustainment, Restoration & Modernization (SRM) Program Management Office (PMO) in the Facilities and Distribution CBU. The PMO was established to address the growing SRM maintenance workload DESC assumed from the military Services through capitalization of fuel inventories and facilities. In its first year in existence the PMO funded \$333 million for SRM projects to maintain and renovate military Services owned fuels facilities worldwide. This amount was nearly double the FY2006 SRM budget and underscored the commitment of the PMO and DESC to continuing raising the level of customer support to the war fighter.”

CLOSURE: DFSPS GRAND FORKS, ND AND DFSP PHILADELPHIA, PA: In 2007 DESC Americas facilitated the closure and tank drawdown of two DFSPs in the NORTHCOM AOR. DFSP Grand Forks, ND terminated operations on 1 Nov 07 for transfer from DESC to

the Air Force driven by BRAC-2005 related changes at Grand Forks AFB that relocated all KC-135 tankers to other bases. DFSP Philadelphia, PA terminated operations on 9 Jun 07. Decision to close the contractor owned contractor operated DFSP was driven by market conditions. Support for all customers previously supported by DFSP Philadelphia, PA were realigned to DFSP Baltimore, MD.

ARCH CHEMICALS’ MCINTOSH STORAGE FACILITY – HALLMARK IN DESC’S HISTORY: On Jan 31, 2007, the separate storage and distribution contract between DESC and Arch Chemicals, Inc. (Arch) expired, heralding the end of the government’s use of Arch’s bulk hydrazine storage facility located in McIntosh, AL. The McIntosh facility enjoyed a rich history and contributed in a significant way to the Department of Defense’s (DOD) National Defense mission and the U.S. Space Program.

As background, the U.S. Air Force (USAF) contracted with Arch to build hydrazine bulk storage primarily to support the USAF Titan Program. The Titan rocket family was established in October 1955, and included U.S. space program landmark launch vehicles such as the Titan I the nation’s first two-stage ICBM, and the Titan II - the largest missile of it’s time. Olin Chemicals (Olin), Arch’s parent company, completed McIntosh’s blending and storage facility in 1988, supporting the Air Force and subsequently DESC throughout the heyday of the Titan Program. In 1989, a monomethyl hydrazine (MMH) storage facility was added, primarily to support the NASA Space Shuttle Program.

The Titan platform grew beyond its use as an ICBM and was modified to support other military and civilian space launches. Ultimately, the USAF phased out the Titan IV-B rocket with the advent of the commercial Lockheed Martin Atlas V and the Boeing Delta IV heavy rocket evolved expendable launch vehicles (EELV). Since neither the Atlas V nor the Delta IV use A-50 (hydrazine) as fuel, Arch’s McIntosh facility was determined to be excess to Arch’s capabilities through their production and storage facility in Lake Charles, LA.

The McIntosh facility operated without interruption through all major weather events including several hurricanes, with only minor damage to buildings since operations began. The exemplary service record achieved

at the McIntosh facility is an integral part the Titan legacy – a National Defense and Space Launch industry treasure.

ENERGY CONVERGENCE: DESC formally created the Energy Convergence Office to coordinate DESC's move to DLA's Enterprise Business Systems. This effort will include, incorporating SAP Oil and Gas as DESC's primary business support application and ensuring that all facets of DESC's business processes are fully system enabled. This is a multi-year effort with Full Operational Capability scheduled for FY12.

EXECUTIVE AGENT PROGRAM: FY 07 was a year of adjustment for the Executive Agent (EA) program. As the DoD EA for Class III Bulk Petroleum, DESC, together with its Military Service and Joint partners, realigned the EA construct. The DESC EA Office (DESC-X) evaluated the effectiveness of the EA program effort and found that the standing Integrated Product Teams (IPT) were an appropriate approach to jump-start the program in FY04/05, but they were not the best long-term arrangement for accomplishing the responsibilities of DoDD 5101.8, "DoD Executive Agent for Bulk Petroleum". The EA Office retained the four focus areas – Equipment & Training, Information Management, Quality, and End-to-End Distribution, but DESC-X Project Managers (PM) now oversee the initiatives associated with each area.

By the end of the FY, the EA office had established a formal structure for support which allowed management of varying workloads and responsibilities for accomplishing action. The EA Component Steering Group (CSG) is now prioritizing EA initiatives, and the DESC-X PMs use short-term work groups to drive action. Involvement from the joint petroleum community, however, remains key to the degree of efficiency and effectiveness brought to the bulk petroleum supply chain.

AUDITABILITY/CONVERGENCE: In 2007 DESC Americas developed processes and refined procedures in support of new auditability requirements to include DFSP inventory accountability, reconciliations, and movements under investigation. On 15-16 Aug 07, DESC Americas hosted the first Energy Convergence Requirements Review. Review included DESC Convergence Team and BSME process owners, DESC Americas as well as participants from Europe and Pacific.

DESC-MIDDLE EAST: Defense Energy Support Center-Middle East (DESC-ME) moved its headquarters from sunny Bahrain to Germany. The staff of 33 dedicated military and civilian professionals that provide petroleum logistics support and management oversight in 27 countries within the United States Central Command (USCENTCOM) area of responsibility (AOR). DESC-ME has a proud tradition and its focus is providing the right fuel, in the right quantities, at the right place, at the right time in support of the Global War on Terrorism (GWOT), providing direct support to Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Joint Task Force (JTF) Horn of Africa (HOA). There are nine Defense Fuel Supply Points (DFSP) strategically located in the AOR that provide increased capability and flexibility during periods of supply disruptions and increased consumption requirements. There are 26 locations throughout the AOR that into-plane contracts are established with commercial airports that are primarily used to support DOD and federal civil aircraft with commercial grade products. DESC-ME also manages 14 bunker contracts at strategic locations in the AOR that serve similarly as the into-plane contracts. These locations allow flexibility for the US Navy to conduct maritime operations and refuel at bunkr sites of their choosing. Integr l to the support provided to the warfighter is the role of the Quality Assurance Representatives (QAR), who conduct inspections of bunkers, helium gas, tank trucks, and into-plane operations throughout the entire AOR. There were 27 into-plane inspections conducted in 23 locations, spanning 15 countries. They also monitor and provide oversight for tanker loads and discharges. There are two countries that we have international agreements with; Egypt and Oman. These are Direct Bill agreements that cover fuel supplies, requisite services accountability, billing procedures and fuel prices. DESC-ME continues to support the needs of the nation and its allies. During the past year, DESC-ME issued 291 million gallons of fuel to naval ships in the AOR.

DEFENSE ENERGY SUPPORT CENTER PACIFIC: DESC-Pacific continued to provide top quality and cost effective supply chain management of bulk fuel to the warfighter in the Pacific area of responsibility (AOR) to include operations in more than 44 countries dispersed throughout 105 million square miles. The efforts of 55 people, which consists both

of military and civilian personnel, effected this support. DESC-Pacific is headquartered in Hawaii, with four field offices consisting of DESC-Middle Pacific, DESC-Alaska, DESC-Korea, and DESC-Japan.

DESC-EUROPE: The DESC-EU area of operations (AO) includes the United States European Command (USEUCOM) area of responsibility (AOR), United States Africa Command (USAFRICOM) plus a portion of northern Iraq. This territory extends from the Northern Cape of Norway, through the waters of the Baltic and Mediterranean seas, westward to Greenland, eastward to Turkey, across Russia, and southward to the Cape of Good Hope, South Africa. This AO comprises more than 35% of the earth's landmass, 60% of the planet's coastline, 23% of the world population and 92 countries in Europe and Africa.

Through use of DESC Operations Office to USEUCOM, DESC-EU mentored and guided decision makers establishing a joint petroleum office within the USAFRICOM logistics division. This included establishing and implementing a training program to educate USAFRICOM fuels personnel in the operational organization of DESC-Europe and outlined the DESC support available in the USAFRICOM AOR. Additionally, DESC-EU provided fuel expertise and guidance to USAFRICOM during transition meetings in anticipation of the activation of this sub-unified command in FY08.

DESC-EU conducted audits at 80 different Into-Plane contract locations throughout the AO. This coordinated effort enabled all of our Into-Plane sites to be evaluated on-schedule in accordance with the Quality Assurance Mandatory Risk Analysis and Rating Guide. The Into-Plane audits leverage our existing supplier base within Europe and assists in our analysis of Africa supplier capabilities as USAFRICOM matures.

DESC-EU supported the US Mission to NATO in helping develop the reorganization plan for the Central Europe Pipeline System (CEPS) that become effective 1 January 2008. Under the reorganization, the CEPS will be managed in two tiers: the first tier – the core of the CEPS – will support petroleum product deliveries in support of NATO forces. This first tier consists of all CEPS participating nations – US, Belgium, Netherlands, Luxembourg, France, and Germany. The second tier recognizes that a portion of the CEPS supports the delivery of petroleum products supporting

non-NATO activities located in the five CEPS host nations (Belgium, Netherlands, Luxembourg, France and Germany).

Dividing CEPS into two tiers allows the Central Europe Pipeline Management Organization Board of Directors (CEPMO BOD), the governing body of the CEPS, to properly allocate CEPS resources between the support of NATO requirements (which will continue to be CEPS' *raison d'être*) and a smaller non-NATO requirement.

The CEPS stores over 1.4 million barrels of jet fuel on behalf of DESC and ensures vital strategic en-route fuel support for U.S. operations at Ramstein and Spangdahlem Air Bases, Germany.

USEUCOM INITIATIVES SUPPORT: DESC-EU provided fuel support and planning guidance to EUCOM and service components during the Joint Task Force East Proof of Principle 2007 (JTF-E PoP 07) conducted in Bulgaria and Romania, during non-combatant evacuations operations in Lebanon, and for aerial surveillance operations in the USEUCOM. DESC-EU provided fuel support and operational guidance to Special Operations Command - Europe in support of Operation Enduring Freedom Trans-Sahara (OEF-TS) in Northern Africa, during movement of various African nations' troops to Darfur, and during African Partnership Station exercises in the Gulf of Guinea.

